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Role of New Intelligence Service Still Debated

92CH0292A Prague RESPEKT in Czech 12 Jan 92 p 4

[Article by Jaroslav Spurny: "Intelligence Stratagems: Methods of the Czechoslovak Secret Services"]

[Text] The Federal Security Information Service [FBIS] is still searching for its identity. There have been disagreements basically since its inception about what methods it should be using in its work.

About a year ago the opinion won out that our secret service should work only with the so-called open sources—that is, read and evaluate everything that is published in the press, radio, or television, and turn their analyses over to the appropriate authorities (by the way, thus far they have not been doing anything else). The former director of FIS [Federal Security Information Service], J. Novotny, announced immediately after his nomination that his office will neither use the old network of State Security [StB] agents, nor establish a new one.

All Are Enemies

But today employees of that agency, as well as specialists from the Federal Ministry of Interior, realize that it was the wrong decision. It was based on the assumption that apart from the KGB, all intelligence services are in a "friendly association" with us. That it will therefore be sufficient to guard against danger that might be coming from the dismissed workers of the former StB and several extremist organizations.

If that were all there is to it, the open sources would probably be sufficient. However, every intelligence service is trying to gather, by using specific means (mostly through a network of agents), as much information as it can about the interests, methods, and modus operandi of other special services and does not differentiate too much between the terms friend and foe. In its eyes, all are adversaries. It does not look for an enemy but for the danger, worldwide, which is very often the selling of arms.

Today, therefore, the FBIS more or less continues the activity of that part of State Security which was engaged in counterespionage. Specialists in intelligence stratagems from the former StB are carrying on their work in FBIS. In a way it is understandable; the methods of intelligence services are basically the same in all countries, and we simply do not have any other specialists. We shall try to explain in this article the substance of the functioning, but also the misuse, of intelligence services. To do that, we shall use several examples stemming from the methods and cases of the former State Security. And we shall come back to the activities of the secret services in future issues.

Case Ota

One of the classic methods of recruiting agents in foreign countries is to bribe the person that is needed. Counterintelligence can discover the existence of such an agent (unless somebody informs on him) only one way: He must have at his disposal the means of communication (code tables, instruments for invisible writing, etc.) by which the agent keeps in contact with the foreign intelligence service. It mostly finds them through its agents planted in the adversary's service, but sometimes even by accident.

In 1975, Czechoslovak counterintelligence discovered that the intelligence service of the Federal Republic of Germany—Bundesnachrichtendienst (BND)—had an agent in Czechoslovakia with whom it maintained contact by means of invisible writing. It sounds like something out of a bad novel, but it is a fact: To send reports the resident only needed an ordinary wooden pencil soaked in vanadium salts. That is, a pencil for the classic "invisible writing," which the agent used to write his information between the lines of a letter with an innocuous content. The information dealt mostly with the personal lives of the then political elite (for example, Husak, Indra, or the Soviet ambassador Cervonenko), analyzed Czechoslovak-Soviet relations, CSSR strategy toward third world countries, etc.

Even though the resident was very careful (he wore gloves when writing, used water to attach stamps rather than saliva, and letters were sent to a confidential address), in the end he gave himself away in a rather naive way: In one of his secret messages he wrote word for word when and where he will be travelling abroad. He was arrested on his return. It was J.G., a high official in the Ministry of Education and later an employee of UNESCO. He was sentenced to 13 years in prison. He worked for the StB in Valdice as a "Vag," that is, an agent of internal prison security.

After his arrest, the USSR Ambassador Cervonenko and several other political representatives in Czechoslovakia were recalled.

Network of Agents

Since the beginning of the 1960's, mostly so-called agents-walkers were used (particularly between the East and the West) for intelligence work. They would cross the border illegally and make contacts with people who could give them information of a military character, recruit other agents, or merely obtain official forms of the country to which they were sent.

Toward the end of the 1960's and beginning of the 1970's the so-called intelligence stratagems came into play. An intelligence stratagem usually has as its goal the penetration of the adversary's structure by an intelligence service in order to gain information about its interests and activities. State Security began to use this method in the middle of the 1970's.

The StB first tried to make contact with foreign intelligence services with the help of citizens travelling abroad, particularly to Germany. The StB advised people who selected in advance not to refuse under any circumstances any offer by foreign intelligence and to report any such attempts immediately upon returning to Czechoslovakia. Although counterintelligence officers so instructed several dozen people a year, their tactics were not successful. Not even one of them ever succeeded in making contact with the Bundesnachrichtendienst.

The StB therefore tried to make direct contact with the BND through its own agents. It found the address of the BND headquarters in Pullach near Munich in the telephone directory; an agent would telephone there and announce himself as a tourist from Czechoslovakia who has interesting information. The BND never showed any interest in recruiting those agents; it merely listened to them politely in one of the Munich hotels and rewarded them with about 100 German marks.

Dossier

Another method of penetrating a foreign intelligence service is the so-called indirect contact (in the intelligence jargon it is called setting up an agent). Every intelligence service has a dossier on all its agents, that is, their detailed curriculum vitae, including data on relatives, friends, and schoolmates. It uses such data to prepare the agent's story by which he introduces himself abroad.

In 1982, Czechoslovak counterintelligence sent an agent to the FRG with the cover name Kaktus. His brother-in-law worked for the Bundeswehr. The agent mentioned in passing that he lives near to a Soviet barracks and that the columns of vehicles passing through disturb him (story). The BND reacted to it in a few days, enlisted the agent and provided him with communication means (that is, with the mentioned vanadium pencil, a briefcase with a double bottom—the so-called container, etc.) Kaktus returned home with them and worked for the BND under StB supervision. Counterintelligence thus learned what kind of information their German colleagues were interested in, what means of communication they used to acknowledge received reports, etc. In this case, reports were acknowledged by radio transmission which could be heard on an ordinary radio receiver. Several groups of numbers were transmitted (practice, cover, and only then the hard ones), which the agent deciphered by means of a rather complicated system.

A spy who infiltrates the network of a foreign intelligence service also presents the opportunity to mislead the adversary—of his reports prepared in advance, roughly 10 percent is disinformation. They often serve to set up other agents suitable for recruitment. However, the intelligence officers who prepare the disinformation must keep in mind the danger that the adversary could ask the agent at any time where he got his information. Therefore the disinformation must be consistent with the possibilities of its sender.

But intelligence services can never be certain that their agent has not in fact entered a foreign service (defected). For that reason, reports already mailed are intercepted at the post office and read again to see if anything has been added. Before November that was simple, all letters sent abroad were inspected. The post office on Senovazne Square (previously Gorky Square) was used for that purpose.

Perhaps the best and longest lasting StB agent working within the structure of the German intelligence service was Jan Fleissig, whose cover name was Grand. He had a low number of only two digits (just before November the roster contained the names of about 33,000 agents). His file, which was supposed to be destroyed according to the notation in the StB roster, was recently found in the safe left behind by Minister Sachr.

They Knew Everybody's Handwriting

Inspection of letters was an activity that was not only against the law, but also contrary to the general practice of intelligence services. In Czechoslovakia every letter going abroad was opened and the characteristics of the handwriting entered into a computer. State Security thus collected an enormous amount of handwriting samples. In addition it also had access to the handwriting of people who never did write letters abroad, because every citizen had to fill out applications for documents, registration forms for residences, etc. These data were not in the main StB computer, but were kept at the StB district offices.

In the operation with the cover name "Glaw," State Security was investigating who was the author of an anonymous letter addressed to President Husak. The letter described in detail the corruption and arrogance of some communist functionaries at the district level, and G. Husak was accused of abetting this corruption. The experts at State Security checked all the handwriting samples obtained from letters sent abroad. The author's handwriting was not among them. They therefore analyzed the contents of the letter and ascertained the approximate place of the author's residence. At the district passport office—on an application for a visit to FRG—they identified the author of the letter from his handwriting. Thanks only to the fact that the information in the letter was correct and the Party elite was afraid of a scandal, the affair did not end in the prosecution of the anonymous author. The entire action was, of course, totally illegal.

Watched Embassies

In communist countries it is always assumed that the headquarters of foreign special services have residents in their embassies. Since 1970, however, that has not been definitely confirmed even once. Nevertheless, the counterintelligence agencies of socialist states have for years maintained a huge machinery for watching and listening in on embassies. The embassies in Czechoslovakia were probed in detail and even their Czechoslovak employees

did not escape scrutiny. To top it all there was the seriously planned StB "roundup", in which military attaches from some West European countries were to be charged with espionage. Because our military attaches really did engage in espionage (of course, entirely without success), the StB could not imagine that others would not do the same.

The so-called contact base of foreign embassies was worked out perfectly. Everyone who visited some embassy of a NATO country was secretly photographed and put on file. In the files were also included people who received a letter from an embassy or sent one there. There were also some enthusiasts who offered information to foreign embassies. In the jargon of State Security they were called "initiators."

Among them was, for example, a 16-year-old boy who offered to find out where Soviet nuclear missiles were deployed on our territory for the U.S. Embassy. Or a 35-year-old Gypsy who worked for about three weeks on the construction of civil defense shelters, stole some unimportant plans there, and wanted to sell them to the Germans. Both were saved from prison by a psychiatric hospital. A lieutenant in the Border Guards, who offered his services to the FRG Embassy in a letter, did not fare as well. The StB people proposed a meeting to him in the name of the embassy and arrested him at the meeting place in front of the railway station in Pilsen. He got 12 years.

There were also instances when the StB simply made up "spies." For example, in 1977, 20-year-old Josef Romer, who worked as a baggage handler at Ruzyně airport, was arrested. The StB first accused him of "planning to leave the republic illegally," but after several months reclassified his alleged crime as espionage. The only proof in the secret trial was the fact that J. Romer used to go to the library of the U.S. Embassy to borrow tape recordings of music groups. According to the counterespionage officers, on those occasions he used to give reports to the cultural attaché in which he "described the mood among the Czech youth." He was sentenced to 13 years in prison.

Agents and Operations

Let's go back to the FBIS. In the first year of its existence it probably took over, in addition to the StB officers who worked on the intelligence stratagems, also its agents within the BND structure. But FBIS, regardless of the apparent similarity, is not the StB. There is a basic difference here—in the totalitarian countries, the adversary to be targeted was determined by the ideology of the communist parties, not the intelligence service or the Ministry of Interior.

And another difference: State Security used all the intelligence means illegally and the overwhelming majority of its members concentrated on the fight against an internal enemy. That means people who showed any sign of opposition or were suspected of opposition. Moreover, it was controlled by the KGB. Soviet advisors, who were

sitting in every administrative office, had the right to enter into any operation or look into any document or file.

The Czechoslovak secret service today cooperates with the British and U.S. intelligence services primarily in the monitoring of movements of terrorist organizations and locating their bases. It is one of the few areas where we can provide very valuable information.

Komarek Criticized for Socialist Viewpoints

92CH0277D Prague LIDOVE NOVINY (Financial News supplement) in Czech 8 Jan 91 p 1

[Editorial by Milos Kubanek: "The Millionaire's Tax"]

[Text] Two years ago in revolutionary Czechoslovakia it was being said that "Love must be victorious over hate." Meanwhile, however, it is beginning to look as though that traditional Czech vice—envy—is beginning to win. How else can one explain the recent statement by the election leader of one of the most ambitious political parties to the effect that only one out of 1,000 of today's millionaires acquired this fortune honestly and that it is, therefore, necessary to introduce a millionaire's tax?

I have no doubt that a number of people acquired their prerevolutionary properties dishonestly and that the times are somewhat more stormy from that standpoint. This has been true quite frequently throughout history, anyway, not excluding socialist history. That is how people are. However, to say that in the current transformational Czechoslovakia there is a ratio of one successful honest person to 999 cheats is tantamount to discrediting private business altogether. Or, at the very least, it bears witness to the fact that for the Social Democrats every efficient economic activity which is not centrally guided by the state is suspect and worthy of condemnation.

Illegal economic activities must be prosecuted and restricted to the maximum possible extent. However, this work should be carried out by the criminal authorities and not through administrative incursions into the economy. The proposed millionaire's tax in today's tax chaos is, of course, essentially an administrative method. It will not impact on those who are dishonest, but on those poor beggars who will honestly report their income and who believe that after the insatiable state budget has swallowed a large portion of this income they will continue to happily invest and compete with foreign capital and with state monopolies, with their properties worth billions, and as a result of doors which are opened to them everywhere. What Valtr Komarek forgot to say was that we have had a millionaire's tax here since long ago. According to the law on the tax on earnings, which contains the called-for progressive taxation measures, all earnings over and above 1.8 million korunas [Kcs] are taxed at a rate of 55 percent. According to the income tax law, to which a number of private individuals are subject, a 55-percent tax is actually levied on all earnings above Kcs200,000. Is it possible that V. Komarek wants

to increase this percentage, which is ridiculously high, particularly for the present times, still further? Let him be my guest. The prospects for weak domestic capital to prevent the sell-off of national property, a move against which it has been precisely the Social Democrats who have been struggling, will once more become more perfect.

The Social Democrats know full well which of our strings they must pluck in the defense of state ownership. They are aware of the fact that our neighbor's wealth is not pleasant for us, particularly after decades of wage equalization. The fact that our neighbor has mortgaged his house for an expensive loan and that he works 16 hours a day while we spend two out of the eight hours we work in a state enterprise enjoying coffee is not important in terms of enviousness.

The elections are approaching and such blanket declarations will obviously be heard more frequently and more loudly. Shall we find that some of them will call for the expropriation of private individuals? The logic of the social democratic rhetoric might so indicate. After all, when a forest is being logged, wood chips will fly. And this would be high-quality work. One wood chip for 999 properly undercut trees.

Of course, the market economy would fall alongside of these trees.

Future of Election Law Remains Unclear

92CH0292B Prague RESPEKT in Czech 12 Jan 92 p 3

[Article by Jiri Kabele: "The Election Law: President Proposes Majority System; Deputies Opposed at This Time"]

[Text] Our political scene has calmed down a little at last. But it is an unconvincing calm. The anxiety, that does not allow us to realize the risks posed by the extinction of the Soviet Union and makes us indifferent to the onslaught of terror in Cuba and the dead in Croatia, unfortunately has not disappeared from our souls. Everybody expects that before long the merry-go-round of political skirmishes will start again. For the elections are coming up.

Electoral Systems and Ominous Predictions

After Husak's ever-more-boring and convoluted speeches, Havel's speech is balm for the mind. This time, with its tone and content, it was only too well in tune with the climate of equivocal expectations. The comforting conclusion: "If we stay together, God will be with us," could hardly balance out this gloomy prediction, for example: "I am afraid that if we vote this year according to the same law as we did six months after the November revolution, it will not guarantee either the necessary participation by voters or the political stability of the parliaments."

According to the president, the old election law does not give the citizens much of a chance. It shares in creating the danger that citizens, stripped of their social securities and tired of the hard-to-understand "great" politics, will stop thinking of deputies as their legitimate representatives for making decisions about the fate of the state. Such slow collapse of the key foundation of representative democracy has been obvious already for some time. If the deputies do not perceive it, they suffer from professional blindness.

Proponents of the proportionate electoral system also have an ominous scenario on hand: "If the elections were held today according to a pure majority principle, that is, in single-mandate districts, then the Slovak National Council [SNR] and the Slovak part of the Federal Assembly would apparently be composed of Meciar's representatives of the Movement For Democratic Slovakia [HZDS] and the Hungarian Democrats" (Kunc, PRITOMNOST No. 9). According to them, the majority system would open the door to populism, which during the difficult beginning of the economic transformation is "naturally" participating in shaping the political scene.

Election Myths and President's Proposed Law

Neither the British nor the French majority system really favors personalities over parties. This fiction is kept alive only by the false hopes of the proponents of nonpolitical politics. The majority system merely forces political parties to nominate candidates who look good, have charisma, and are able to express themselves in public. The victorious deputies know that they were elected also on their own merits, and thus no party leader can manipulate them at will. Independent candidates can succeed in electoral districts with about 50,000 voters only with difficulty. They would therefore be foolish to invest their money and time in a solitary campaign when they can pursue their political career with the support of a political party. Nor would the parliament gain much by having independent deputies. The effort needed to push through an ambitious political program is a task beyond the strength of any, no matter how gifted, single individual.

Inside the president there is a struggle between his cold, analytical mind and his fiery, romantic soul, and so his proposals as a rule represent a mixture of good ideas and well-meant intransigencies. However, in the case of the election law, Havel offers not only a good idea, but a first-class and beautiful innovation. As in the German electoral system, the voter would have not one vote, but two. With his second vote he designates his alternate, also acceptable, candidate. When the second votes are added to the first ones, should that become necessary, it considerably increases the probability that one of the candidates will receive convincing—that is, at least a 40-percent—support from all voters registered in the district in question. No more than that can be gleaned from this idea. But that is not insignificant! If we were to decide in favor of the majority system, we would belong to a small family of countries (England, Germany,

France, Ireland) which based their democracy on their own, quite well known version of the electoral system.

Instead of Scrutiny, Second Round

Unfortunately, the president went further in his proposal: with good intentions, he combined the majority and the proportionate systems. That resulted in a strange amalgam which provides room for destructive election strategies that gamble on a fragmented political spectrum. The remedy is easy. The proposed republican legislative reexamination, which even for the informed citizens is an incomprehensible method of counting and proportionately assigning votes, do not have to take place. In rare instances, when none of the candidates receives the necessary support even with the help of the second votes, there can be, same as in France, a second round of elections between the two candidates who received the most votes in the first round.

The objection to the majority system is that it is not appropriate for a society that has social and above all, national, divisions. In such a society, argue the proponents of the proportionate system, a proportionate representation of political forces is an important part of the parliament's legitimacy. However, this objection hardly applies in our contentious situation. The 5-percent clause keeps most of the representatives of our ethnic minorities, including the Gypsies, out of the game, or, more precisely, leaves their fate to the goodwill of other political parties. In contrast, the majority system allows the creation of artificial "minority" electoral districts which will ensure their personal representation in the parliament. Citizens claiming such nationalities could vote either for candidates from their district or from the "minority" district. In that way, for example, six Gypsies, and one Pole, German, and Ruthenian each could find their way into the parliament. For the Hungarians, and all the more for the Slovaks, who inhabit contiguous territories, the majority system should not be discriminatory. Much, of course, would depend on how the districts are laid out.

The electoral system proposed by the president is not tied to the federal council by an umbilical cord. It can apply equally well to elections to the senate. If the number of senators were to be modified, then even the unified network of electoral districts could be retained. At the very least, the 100-member Lower Chamber of the Parliament should be elected in single-mandate districts. On the other hand the senate, whose task is mainly to approve laws, could be constructed proportionately, so that all important political forces would be represented equitably in it.

High Time for an Open Duel

The arguments which invoke the danger connected with a sweeping victory of the HZDS in Slovakia do not mention that this movement, unless a miracle occurs, will win in these elections anyway. In case of a "proportionate" victory, Meciar will be quite glad to share

power. He is sufficiently adroit to be able to shift the blame for his lack of success in the eyes of the voters to the federal government and the coalition parties. But in a majority election system he will bear the full and indivisible responsibility for his governing. At the same time, he will be faced with a viable opposition, which in the meantime is emerging into the world with more than great difficulty. He can lose the following elections as easily as he can win now. Only elections run on the majority system can show whether Slovaks will continue to see Meciar as a Janosik who takes from the rich Czechs and gives to the poor Slovaks, or as a man whose governing is endangering Slovakia vitally.

We keep hearing in discussions that holding elections again after two years was the wrong political decision. We cannot agree with that opinion. Positive results of the economic transformation are already materializing. Our present economic situation and prospects for accomplishing the reform are at this time the best of all the other postcommunist countries. The notion that the parliaments and governments elected in June 1990 could have lasted four years is also more than naive. Most likely, in such a case we would have had premature elections already on our hands. There is no need to remind people of the price which was paid by Poland for such a collapse—induced by political conflicts—of the political system. The proportionate election system also played a role in that situation. Of course, the results of the Polish elections could not have been saved even by the 5-percent clause. Both our and the Polish experience manifestly confirm that the president's fear of a postelection instability of our political system is justified.

The reasoned statement on the president's proposed election law says that in October the adoption of the majority election system was supported by 57 percent of the populace. I hope that in this instance the deputies will try to respect the will of the voters. They should suppress the distaste which is naturally engendered in them by an election system with more demanding conditions for gaining and carrying out the mandate. But above all, they should have more confidence in the judgment of the voters if they want to keep their trust. In the single-mandate districts people will certainly choose their representatives to legislative bodies well. They will make a mistake only once, at the most. We have to accept that risk. It is high time that we engage the political populism in an open election fight.

Nationalist Newspaper Accused of Censorship

92CH0294A Prague LIDOVE NOVINY in Slovak
14 Jan 92 p 11

["Excerpt" of a letter to the editor by Dagmar Gregorova, Prague: "That Is What They Are Writing in the Papers"]

[Text] In Martin, I was asking random pedestrians what they think of the present situation. When on the first day 18 out of the 20 people that I talked with answered

straightaway that "Havel is an enemy of the Slovak people; Klaus is impoverishing us; Buresova does not want to allow us to have a state treaty," etc., I asked them why they think so? "Well, that's what they write in the newspapers."

I delved into SLOVENSKÉ NARODNÉ NOVINY and found, to my horror, that the Martinites were telling the truth. Specifically, in issue No. 43 of SLOVENSKÉ NARODNÉ NOVINY, M. Janek casts doubt upon the importance of the president's foreign travels; in the next issue, he ridicules the invitation by the president to attend negotiations in Hradec; in issue No. 47, P. Strelinger takes the president, "who so vehemently defended the Baltic nations," to task for "doing nothing to claim credit for bringing the war in Yugoslavia to an end," and deduces from this that "Prague is afraid that by recognizing Croatia and Slovenia it will recognize the moral right of Slovakia to be a sovereign nation." I consider it to be the height of cynicism to refer to a letter by the dissident V. Havel to Secretary Husak in 1975 in print as "a letter to himself" in issue No. 43! Its meaning turns editorial comment upside down. In issue No. 47, beneath the photograph of P. Prochazka shown alongside a banner which states "The Federation in Czech = Impoverishment of Slovakia," J. Darmo, in a long article entitled "Slovakia at the Breaking Point," contends in all seriousness that "Czech politics asserted its power of government over Slovakia, for the first time in 1918 and for the second time in 1947, eliminated Slovakia from the game for political power, and, these days, is consummating a third operation." T. Winkler is even upset over the fact that "as early as the first manifest regarding the proclamation of the republic, there is no mention of Czechs and Slovaks, but of the Czechoslovak people." If T. Winkler would admit that, at that time, the Czechs—by the act of professing that they were a single majority nation with the Slovaks, were instrumental in saving those few thousand true Slovaks (the rest of the population were Ungarophiles, Germans, Hungarians, Ukrainians, etc.) from complete slavery and Magyarization, he would not need to be upset, but would be grateful to the Czechs.

There is not sufficient room to present citations from newspapers which deliberately confuse unaware readers. To tell the truth, I am even ashamed to continue. But one thing more. It is not only SLOVENSKÉ NARODNÉ NOVINY, but some Slovaks in general who are using the concepts of Czechoslovak policy, Czechoslovakism, etc., always in a manner designed to scandalize. They forget the time when these words had a generally different—in other words, the correct—meaning. In the archives of the Matica cultural organization, I leafed through SLOVENSKÝ TYZDENIK, a newspaper from the time of the Hungarian oppression. J. Gregor-Tajovsky wrote the following regarding this newspaper: "TYZDENIK wiped out the differences between brethren, was written in blood from the heart, and took into account the needs and worries of the small Slovak individual who sensed, from the warm tone, that his own interests were involved

here, his fate. TYZDENIK used to be read aloud in families, it was read to neighbors at public performances." In those days, the newspaper provided information on conditions in Bohemia and on Czech assistance to Slovaks (the Radhost Association, the Czechoslovak Fraternal Unity organization), the paper had an influence upon its readers in a stimulating way, it provided truthful information, and, thus, was fulfilling its true mission.

I wrote an article on this to SLOVENSKÉ NARODNÉ NOVINY, relying on democracy which permits various views to be expressed. They have not been heard from; they did not even respond to my written exhortations, nor to my phone calls. There is freedom of the press and censorship has been eliminated. There remains but a single explanation: We are not silent; we are being deliberately silenced. And this is to the detriment of us all.

Historian on Rebuilding Federation

92CH0293A Prague LIDOVE NOVINY in Czech
14 Jan 92 p 9

[Article by Jan Rychlik: "Will the Federation Be Built 'From Below' or 'From Above'?"]

[Text] The position taken by the Slovak representation regarding the creation of the federation is well known: The federation is to be built from below. In other words, the foundation is to be made up of the theoretically completely independent republics which would agree, contractually, to cede a portion of their jurisdictions to joint organizations. A citizen is expected to thus acquire the feeling that he is living (and at the same time not living) in his own "national" state. The Czech representation is simultaneously being accused of not "understanding" these efforts and that it wants to promote the creation of the federation "from above," come what may, in other words, by transferring parts of the jurisdictions currently enjoyed by the federation to the republics.

The argumentation on the topic of the "federation from below or above" creates the impression that it is only a matter of agreement between the two representations as to what type of federation will come into being in our country. The Slovak representation is undoubtedly correct in claiming that the majority of the functioning federations came into being "from below," in other words, by originally independent states ceding part of their authorities to the center (Germany, Switzerland, United States). It is also true that federations established "from above" are frequently beset by crises (USSR, Yugoslavia, but, for example, also Belgium). The notion that we can freely choose whether we wish to create a federation from below or from above is, however, totally in error. This is because the choice is preordained on the basis of historic development. Had Czechoslovakia actually come into being as a federation created from below, it is possible that the situation today in Czechoslovak

relationships would be quite different. However, our state did not come into being by this method and could not even come into being because neither the Czech lands nor Slovakia were independent states on 28 October 1918 and could, therefore, not delegate anything to anybody. Czechoslovakia came into being as a result of a sort of "breaking out" of a portion of the territory of the Austro-Hungarian Empire and a single sovereignty was immediately asserted over this broken-out territory. Any kind of subsequent attempts to reshape Czechoslovakia could, thus, be accomplished only by way of delegating authority from the center to a subordinate portion. True, efforts were repeatedly made from the writing desks or meeting halls of parliament to return to the situation of that fateful 28 October 1918 and to create a new state from below. For example, the proposal for Slovak autonomy, worked out by Hlinka's Slovak People's Party [HSLS] (specifically by Vojtech Tuka), referred to the fact that the relationship between the Czech lands and Slovakia was based on the standing of Austria and Hungary, which were also relatively independent states delegating authorities to joint ministries. Another theory of the HSLS was based on the sovereignty of the Slovak nation and contended that the Slovak people have sovereignty over the territory on which they live and that they can cede a part of this sovereignty to a national whole. Also, the Treaty of Pittsburgh of 30 May 1918 was frequently interpreted as establishing a joint state on the basis of delegated authorities of two national entities and a reference to this treaty was also subsumed in the preamble of the constitutional law on the autonomy of Slovakia, dated 22 November 1938 (Law No. 299 Sb. [Collection of Laws]). However, it is characteristic of this law that in the practical portion of the law autonomy is again created by the transferring of part of the jurisdictions from central offices to autonomous Slovak organizations.

From this point of view the constitutional law on the Czechoslovak Federation, dated 27 October 1968 (Law No. 143 Sb.), is highly interesting. In order to be able to bring about a federation it was first necessary to create Czech national organizations that would agree with Slovak organizations. This occurred on 24 June 1968 by passage of Constitutional Law No. 77 Sb. which, on the one hand, prohibited the National Assembly from defeating laws by majority vote when constitutional laws were being adopted (a similar or identical provision was already contained in Law No. 299/1938 Sb.), and, on the other hand, created the Czech National Council, made up of some parliamentary delegates and specialists as a partner to the Slovak National Council. Both national councils (with the Czech National Council being considered by the Czech population to be a useless organization from the very beginning) were then proclaimed in the preamble to the constitutional law on the Czechoslovak federation, to be representatives of the Czech and Slovak people, who are prepared to create a joint federation as a matter of bipartisan interest. On paper, therefore, even the existing federation was created "from below." Nevertheless, in practice this was not possible because it was

impossible to erase historical development over the previous 50 years. In the minds of the people, therefore, Czechoslovakia remained as the same state it was before and in Slovakia, the federation even disappointed the hopes of citizens.

The extent to which the situation is different today, in 1992, remains a question. The establishment of a new federation by a treaty between the Czech Republic and the Slovak Republic is undoubtedly possible, but creation of a federation from below is purely a theoretical matter because the new treaty will tie in with the existing status. The practical situation will be the same as if the jurisdictions were merely redistributed. In actual fact, we had the last opportunity to create a real federation from below in 1945 when our peoples began once more to build a common state after six years of separation. This opportunity was frittered away and it is the task of historians to clarify the reason why. Today, virtually no opportunity exists for creating a federation from below. Let us not try to fool ourselves in this regard.

Estimate of Sudeten German Victims Questioned *92CH0305A Prague PRITOMNOST in Czech No 12, 1991 p 3*

[Article by Petr Prihoda: "How Many Sudeten Germans Perished?"]

[Text] A combined commission of historians of the CSFR-FRG has been at work for some time already, and that is really good. The agenda of this commission will soon include a topic concerning the losses of the Sudeten Germans stemming from their forced expatriation or "evacuation." The Germans call them the *Vertreibungsverluste* [expulsion losses]. In our country nothing much has ever been said about them, and therefore it was necessary to introduce a Czech equivalent of that term, namely, "evacuation losses." The Czechoslovak members (who should more correctly be called the Czech members) of the commission are getting ready for a somber discussion of that particular issue with their German counterparts. A preliminary report, "Evacuation Losses of the Sudeten German Population," has already been prepared under Jaroslav Kucera's supervision.

As concerns available information, the German side has extensive written materials on this topic, while our side is incomparably weaker as regards data on hand. There is no data base that would enable the Czech historians and statisticians to articulate their own position. Their only option is to offer critical comments on German standpoints.

The German definition of the "Vertreibungsverluste" includes not only those who died a violent death during the expulsion (which, as we know, often resembled a pogrom), but all lost lives where direct connections with forced expatriation could be assumed, thus, also deaths

due to exhaustion caused by stressful conditions or by illness, obvious premature deaths due to endured suffering, suicide, and so on.

Already at an earlier date the German side came up with the figure of 210,000 to 272,000 deaths. That figure is usually quoted without further explanations in the press and in various publications. Therefore, a reader may conclude that it represents the number of murdered individuals. Among the semi-informed readers is also the chairman of the Slovak National Council, Frantisek Miklosko, who recently reacted to Czech references about the fate of the Slovak Jews by quoting the number of the Sudeten German victims.

The German statisticians had reached the frightening figure of a quarter of a million as follows: They proceeded from the 1940 status of Sudeten German citizens, added the natural increment, and deducted wartime losses. They compared the result with the situation of the Sudeten German population in 1950, and described the difference as "Vertreibungsverluste."

It is obvious that this method is hypothetical and inaccurate. Its figures fail to consider the fate of certain subgroups of the population, for instance, the Sudeten German victims of Nazi persecution (including the Sudeten German Jews) or persons abducted to the USSR after the war. They do not take into account the "converts"; as after the disintegration of the first Republic some Czechs had "joined the Germans" for family or opportunistic and other reasons, so after 1945 for similar reasons some (perhaps the same?) individuals declared themselves Czechs, but German statisticians did not delete them from their columns because to this day it is not clear how many such persons actually were there. By the same token, it is not clear how many of the Germans permitted to remain in this country were afraid to state their nationality during the 1950 census. In addition, there is a certain number of statistically unclear cases, among them the so-called missing persons. German statisticians are charging all such moot data to the Czech account.

Therefore, we may regard the invoice for a quarter of a million, presented by the German side, as slanted. The Germans, especially the Sudeten Germans, are often interested in quoting the highest possible figures because they are motivated by the effort to highlight the suffering of the Sudeten Germans, to which the world has thus far failed to pay due attention. The Czech side demonstrates an antithetical tendency or effort to downgrade or even deny the Sudeten German losses, so as not to cast doubts on the conventional Czech interpretation of the "evacuation," and not to burden Czech conscience.

In this respect, the official Czech data are either incomplete or totally nonexistent. In 1945 the Czech administration reported that after the end of the war, 10,500 Germans died on the Czech territory "due to external causes," about a half of them allegedly by suicide. The cause of death of more than 2,000 Germans was not

stated. If official Czech documents recorded any pogromlike incidents at all—and they recorded very few of them—in most instances it failed to give exact figures. In general, it would mention "several" or "a considerable number" of casualties. Noteworthy among the few exceptions is a report from the Domazlice area: 220 cases of lynching took place in the town proper or its vicinity.

Over the 10-year period [as published] of 1954-63, an extensive investigation was conducted in the FRG; its purpose was to establish the number of victims on the basis of testimonies of witnesses. The inquiry was carried out only in the FRG and not in the GDR, Austria, the Czech lands or other countries where witnesses resided. Unlike the statistical estimates and calculations, the names of specific individuals were recorded and documented on the basis of testimonies. The program was conducted as an extensive inquiry and not as exhaustive research. Many witnesses—about half a million of them—were no longer alive and with them their memories also had departed this world. It is quite possible that precisely they would have remembered the most. Specific testimonies at that time indicated that about 19,000 persons who had died during the "evacuation" or as a result of it could be identified by their names; 5,596 of them died a violent death, 3,411 committed suicide, 6,615 died in assembly centers on our territory, 1,481 due to exhaustion or displacement, 705 were abducted to unknown destinations, 629 died trying to flee, and 379 individuals died of undetermined causes.

The above-mentioned report by Czech historians in its conclusion states that the results of statistical calculations "which set the evacuation losses in ordinary values at over 200,000 persons, should not be used in the future in any serious argumentation by experts." But what about the ordinary values below 200,000?

The number of Sudeten German victims may never be determined with any accuracy. It is quite probable that it would not amount to hundreds of thousands, although it is almost certain that there were tens of thousands of murder, torture, and persecution victims, among whom suicides prompted by despair must also be included. Who were those victims, considering the fact that most adult males were detained at that time in POW camps or had died in the war? How many active Nazis were among them, considering the fact that the Nazis had tried to escape to the West before the end of the war? This figure does not include the raped women or the severely psychologically traumatized children....

The issue of the Sudeten German victims is one of the topics we would prefer not to hear about. It is risky to introduce it because its examination or discussion might sound like a squabble about the number of corpses, or like an argument whether the number of deaths on one side is or is not "sufficiently commensurate" to the number of deaths on the other side.

From the psychological point of view, the Czech urge to delete the past with a "heavy stroke," and the insistence that ignores the other side without which such a stroke cannot be made, are understandable though not at all commendable. They are motivated by the effort to spare us from soul-searching about how we had acquitted or failed to acquit ourselves at one of the few decisive crossroads of our history in this century. Nevertheless, there can be no genuine Czech self-confidence without such Czech self-reflection.

And thus, in the end Frantisek Miklosko is right. If we shut our eyes to the tens of thousands of Sudeten German victims, that would affect the Czech mind just as much as the unwillingness to deal with Slovak responsibility for the fate of Slovak Jews affects the Slovak mind. Both directly impact the shaping of the Czech—or, as the case may be, the Slovak—social consciousness, as well as the formation of our society and thus, also of our state.

Panel Takes Up Problem of Ethnic Tension

92CH0291A Prague RESPEKT in Czech 12 Jan 92
pp 8-9

["Excerpt" of a radio panel discussion, edited by Petr Janyska: "Minority and Majority: National Intolerance in Czechoslovakia"]

[Text] Why do 90 percent of Czechoslovak citizens harbor aversion toward the Gypsies? What is the source of national hatred and what can be done about it? That was the topic discussed by the debating panel arranged by RESPEKT at the end of last year. However, of those invited who could have been expected to be critical of minorities, Gypsies in particular, nobody came. In this issue we are presenting the gist of the four-hour debate.

Racism and Tolerance

Josef Vohryzek, literary critic: Racism, antagonism toward foreigners, chauvinism, anti-Semitism, all these subspecies of hatred toward people who differ from me by their origin, appearance, language, or customs—all that is in fact natural. Whereas tolerance, coexistence with people whose lifestyle is different from mine, whose background is different from mine, democracy—those are artificially created. We probably inherited the desire for revenge, blood for blood revenge, from some ancient ancestors, and it is still stubbornly alive within us. That is why we must constantly fight those tendencies, in all respects, by education.

Emil Scuka, lawyer, chairman of the Gypsy Civic Initiative: For 40 years racism has not been talked about here, but Gypsies encountered it every day. From the moment of birth, in schools and offices, in retirement, there never was a Gypsy who did not experience hidden racism. Even children in the sandbox, who know nothing about it, already look down on Gypsy children.

I absolutely agree that racism is primary and tolerance is derivative, artificial. The Gypsies in Europe, where they have been living for seven centuries, are one of the few minorities which have been the target of racist attacks basically since they arrived. It so happens that we have the disadvantage of always wearing a uniform. It is the color of our skin.

I do not consider the skinheads to be that dangerous, because there are not too many of them and the government authorities can deal with those who support fascism and racism; we have laws. I am more surprised by the support the public gives them.

Non-Gypsies do not have to like us, that is not the point, it is tolerance that is important and the necessity to live together. The Polish minority, if worst comes to worst, can move to Poland. Similarly the Hungarians and others. But we do not have another home, and so we must live here, and what is more, we want to. Therefore, everyone who does not belong to those 90 percent should respond immediately to the displays of racism. The Gypsy Movement has been grappling with racist tendencies already for two years, and I have yet to see one single statement by a political party, other than a Gypsy one, denouncing them.

Tatana Siskova, sociologist, former curator: People today know nothing about what is characteristic about this or that minority, what they can do, what makes them unique. And so maybe to us, the whites, the Gypsies look different, which we mostly automatically consider to be something inferior.

P. Janyska: When the Vietnamese and later the Cuban workers came here, it turned out that people were absolutely not ready for it, and it was reflected in their racist behavior. It is the most simplistic solution to say: we do not want them here, let them go away. However, the worldwide trend, regardless of all the outbreaks of hatred, is quite opposite: diffusion, intermingling, opening up to each other, mixed music, mixed culture, mixed marriages. Most people realize it.

Hatred and Failure

Peter Huncik, psychiatrist: From the point of view of psychiatry, racism, nationalism, and xenophobia are man's natural attributes. And their core is always hatred toward the group that differs from the majority. Man has a characteristic that specialists call homogeneous inhibition: he tries to create a homogeneous society that eliminates everyone who somehow does not fit in. In addition, every human being sometimes exhibits the tendency to blame his own incompetence, weaknesses, and failures on somebody else.

Jiri Pesek, historian: The word failure is the key. Not far from here is the Old Town, where in the 14th century almost the entire Jewish population was massacred during a pogrom. At other times, Gypsies, Calvinists, and others were slaughtered. Similarly, in some German

Protestant towns they murdered Italians and Spaniards, simply because they were different.

Racism is the problem of a society that is not successful or is afraid of failure. This is what we are experiencing just now. Jews have been for the most part liquidated, and our anti-Semitism chased out the rest immediately after the war. Now the hatred is turning on the Gypsies. Tomorrow, of course, it could be most anybody else.

When a society is successful and open, every immigrant, everyone who is different, represents a value that enriches the society: he brings new trade possibilities, new ideas, technical impulses. But as soon as a society finds itself in a crisis, it closes up and bites.

Jan Rusenko: What is disturbing is that some journalists are trying to make light of racism and fascism in this country. Why has no one, except the president and maybe the Parliament, spoken publicly against racism? Why do only anarchists demonstrate with us on St. Wenceslav's Square against racism?

E. Scuka: Some of the press contributes to this. At issue is not only lack of ethics and morals, I have the impression that on the part of some journalists it is downright intentional. Public opinion is formed on the basis of information. And if it is of the kind that the Czech press has been giving out for the past two years, I do not really blame the public. If I were a Czech, I would probably join that 90 percent.

A True View of Minorities

P. Janyska: In order for the public to be tolerant toward other ethnic groups, somebody must give them information about them. Somebody must present them in an interesting light, show that their being different does not mean that they are inferior. How many Czechs consider foreign customs, culture, cuisine, etc., to be something interesting and enriching, and not a manifestation of some inferior culture? Have you ever seen in any children's magazine comics which had Gypsies or Vietnamese as their protagonists?

Tomas Haisman, ethnographer: It was mentioned here that racism was not as strong before the revolution. But what about the sterilization program of Gypsy women which started in Slovakia in 1974 and continued until 1989?

And matched against that is another phenomenon, the preferential treatment the Gypsy population was given in social programs at the expense of the others. If we look at it more closely, we see that this special treatment amounted to about 15 korunas a year, but the press uses it a lot as an argument and thus engenders hatred toward the Gypsies.

Jiri Kabele, sociologist: Racism does not merely imply a simplified image of some ethnic group, it literally places that group into some kind of subhuman sphere, into a sphere of humanity that is of lesser worth. It assumes

that it is admissible to behave toward it differently than toward neighbors and contemporaries, that such a group is not entitled to be treated as one's own.

Another important point: A group that is a victim of racism always reacts in some way. The Gypsies are creating for themselves a defensive stereotype, which in certain circumstances can be very aggressive. Many Gypsies, I believe, have the idea that there is nothing left to them but be aggressive. And so they steal, they do not play by the rules. Our racism brings out the pathological behavior in them, and then we turn around and blame them for it. We bear great responsibility for the Gypsies' criminality.

Daniel Kroupa, deputy of the Federal Assembly: I also think that we all harbor within us a great deal of negative feelings and emotions toward others, and in order to start behaving differently we must go through some kind of transformation. Every society handles that by exhibiting certain civilized attitudes, but our post-November one is still searching for them. They cannot be prescribed by some abstract law, they must mature in conflicts and the determination of people to enter into such conflicts. A society that idly stands by is not searching for an identity that includes cultivated civility. But cultivated civility is not something that happens as a matter of course, it takes a struggle to achieve it.

The Gypsies never sank roots. They led a nomadic life, and we made them strike roots by force, we tried to assimilate them forcibly. But by doing that, we naturally forced them into a conflict with the order that our society created for itself and that it tried to force upon them. That necessarily entails constant conflicts, high criminality. How will our society deal with that? It should deal with it in a way that is worthy of a high level of civilization, keeping in mind the specifics by which Gypsies enrich the life of this country by bringing into it something of a spontaneous element.

Jitka Gjuricova, sociologist, former curator: On 9 January 1991 the Charter of Basic Rights and Freedoms was adopted, which states that all of us are people. Which means that I am first of all a human being, then a citizen, and then I shall decide what nationality I am. The press and public officials have the great responsibility to begin inculcating respect for human and civic rights into the public consciousness.

Racism has another root cause which was not mentioned: apprehension and fear. The Gypsies are afraid, this entire society is afraid. Simply because the mechanisms which should protect everyone, whether they are Gypsies or not, are not working.

Jirina Siklova, sociologist: Since 1968, the year which saw the beginning of a great struggle for human rights, a systematic education aimed at racial coexistence has been taking place in the United States. Today, after 23 years of intensive conditioning, it is no longer a problem for a black and a white worker to sit next to each other at lunch in the cafeteria. But all that effort of course took

years, and, moreover, in a time of prosperity. So let's not be so quick to make ourselves out to be so bad.

Another point: We devastated the ecology of a number of areas, and in so doing we disrupted the way of life of their Gypsy denizens. And so it is understandable that these people now have no idea where they belong: to the old way of life or the newly transformed? At the same time, however, we also impaired ourselves, so that we do not know what rules to go by either.

And a third point: it has always been essential that personalities become involved.

Anna Kabelova, theatrical documentarian: The source of racism is human stupidity, which is infinite, and it is clear that the only solution is education and cultivation of the mind. Little is known about how many Gypsies perished in the gas chambers, and people do not want to know or hear about it.

Problems With Laws

D. Kroupa: The manner in which Gypsy criminality has been discussed here is in fact racist. If we want to get at the root of the problem we must ask: Does the Gypsy community have to accept the laws in whose creation they did not participate? Which the majority is forcing on them? Why should Gypsies adjust to our norms? The power elite of the former regime destroyed the natural Gypsy community which had its own self-regulatory system. Therefore, we, as the ethnic majority, bear responsibility for the situation.

J. Siklova: The problem of ethnic encounters and intermingling is only beginning. The next century will most likely be a century of migration. Let us not forget that minorities mostly assimilate themselves, but at a certain point they begin to want emancipation. That was the case of the Jews in the past century, and that in time will probably also be the case of the Gypsies.

Anarchist: Why do policemen just watch the skinheads' parades but do not take action? It is said that a raised right hand cannot be considered as promoting fascism, and poles, sticks, and chains as illegal weapons. How is that possible?

E. Scuka: The justice, security, and prosecution officials have been waiting a long time to be given a blessing by someone from above. Until that time they were not able to do anything. And investigators, I hear, were even afraid of losing their jobs. But promoting fascism is one thing and racism is another. The two should be treated separately, but thus far nobody has done anything about it.

Jan Langos, CSFR minister of interior: Today I don't know myself how I would behave if somebody put a uniform on me and gave me a truncheon. In a situation where two groups of people confront each other and shout back and forth, a policeman does not know how to react, because he is a human being and not a machine

programmed to act according to the law. He lives, same as we do, in a society that is opening up—until 17 November he used to beat up people who were shouting in protest against the regime. We can hardly expect him to make a decision at the moment when he is surrounded by a crowd.

We Are Afraid of Society's Indifference

Michaela Freiova, state commissioner for refugees: What can be done about racial intolerance? It is not a problem that the state can solve. Society is not a monolith, we must use all its positive features: churches, nongovernmental groups, open-minded groups in communities.

Jakub Polak, publicist: In the United States the main burden of changing attitudes toward blacks was born by civic initiatives, not the state. Until civic movements and thousands of activists also appear here, who will have the courage to do something specific, cooperate with the Gypsies, let themselves be branded Gypsofiles, be lynched, even perhaps become victims like M.L. King—until then we shall not get anywhere.

Petruska Sustrova, adviser to the Federal Ministry of Interior: It is not true that the state should not enter into this matter. Civic initiatives can provide charitable assistance and strive to change the laws and the system. Similarly, as was done in the Netherlands, Sweden, and other Western countries, our state should work out an articulated program against spreading hatred, and not just racial hatred. The media have an irreplaceable role to play in this. But as long as everybody can publish anything with impunity, this possibility is in doubt.

J. Langos: I am not disturbed by individual attacks on the streets, but by the attacks that are beginning to be organized. They are directed only seemingly at the Gypsies, in reality they are aimed at all of us. They are the verbal assaults of the nationalists in Slovakia, and the physical attacks of the skinheads in Bohemia.

Vietnamese student: We are most afraid not of the skinheads, not of racism as such, but of the indifference of this society.

Czech Noble Family Returns From Exile

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ALLGEMEINE ZEITUNG in German 11 Jan 92 p 7

[Article by Ota Filip: "The Lobkowicz Family Is Returning to Bohemia"]

[Text] The return of the family of Prince Jaroslav Lobkowicz from exile in Munich to Bohemia to the family palace at Krimice near Plzen has a prehistory. In the fall of 1938, when the fate of Czechoslovakia was being decided in Munich, almost 20 members of the Bohemian nobility, including the Lobkowiczes, the Czernins, the Sternbergs, the Schwarzenbergs, and even the former Italian Colloredos and Belcredis, stated that they were prepared to defend the borders of the

Kingdom of Bohemia even with weapon in hand against "this Austrian corporal without manners." These families remained Czechs even after 15 March 1939, when Hitler occupied Bohemia and Moravia and stayed in the so-called Protectorate of Bohemia and Moravia. The protectors at Prague Castle did not trust these nobles. During World War II, they placed their estates under German administration.

In May 1945, these Bohemian families—this "imported nobility" which was imported to Bohemia and Moravia during the counterreformation following the 30-year war and which frequently bore German, Italian, or even French names—was not expatriated from Czechoslovakia, like the 3.5 million Sudeten Germans. Nevertheless, these Bohemian noble families, who professed to be citizens of the Czechoslovak Republic, lost their entire property holdings some three years later, after the end of the war, following the communist coup in Prague in 1948. In the communist historical writings, even the Lobkowicz family had to put up with the fact for the next four decades that they were dubbed ruthless exploiters, decadent feudal lords, and were treated like inferior citizens.

Over the past four centuries, the family has helped mold the history of Bohemia and it has also suffered along with the land. In 1618, Depold, Zdenko, and Vilem von Lobkowicz played a great role in the defenestration of Prague. Barely one-tenth of the 254 original Czech-Bohemian and predominantly Protestant rulers survived the consequences of the Battle of White Mountain of 1620. Vilem, the younger von Lobkowicz, who remained loyal to the emperor, acquired the Protestant estate of Vlci at that time for a ridiculous 4,337 meissen groschen. But as early as 1665, Count Franz von Vrbna doubted whether "Vaclav von Lobkowicz could become comptroller of the royal household, because, after all, he was a Czech, which is the same as being afflicted with deadly sin."

A Prince Lobkowicz was Czechoslovak ambassador to Great Britain and, from 1939 through 1945, was a member of the Czechoslovak government in exile in London. The present head of the family, graduate engineer Jaroslav Prince Lobkowicz, who went into exile in 1968, has remained consistent: He never applied for asylum or for German citizenship. He married the French noblewoman Elisabeth de Vienne, but never became a French citizen. For more than 20 years, he has lived in Bavaria as a Czech with a Czech emigre passport. "The Lobkowicz family history, which is connected with the history of Bohemia, obligates me to act in the manner in which I have acted," he says.

After almost 50 years, the history of the Lobkowicz family is being continued in Bohemia. Prince Jaroslav will not have it easy in his homeland. The Krimice Palace, which was confiscated by the state in 1951 with the justification that the family lacked the means of caring for this Czech cultural monument and for maintaining it, is an uninhabitable ruin today. The costs of

renovating the palace are estimated at 20 million Deutsche marks; Prince Lobkowicz, who is employed by a German enterprise, cannot come up with that kind of money.

He has an answer to the question: "Do you know, prince, what belongs to you again in Bohemia and what will soon belong to you?" The answer is contained in 10 files: two palaces and one villa, including inventory, land and houses at Krimice and in the vicinity, several hundred objects of art and pieces of furniture which the prince found over recent months with the assistance of Czech curators of monuments and museum administrators all over Bohemia. Does the prince want everything back? "I don't wish to relinquish my rights to anything because everything was stolen from us by the Communists; it is the property of my family. And I must also not relinquish my rights because I have three sons. I have concluded a contract with all museums, palace administrations, and libraries where our property has been located since 1948 or 1951. As long as my palace at Krimice is not renovated—and that will surely take years—everything remains where it is."

The symbolic return of the Lobkowicz family to its palace at Krimice near Plzen has already occurred. In 1951, the Lobkowicz clan had to leave it; almost precisely 40 years to the day later, in August 1991, Jaroslav Prince Lobkowicz brought a few pieces of furniture back and placed them in two more or less intact rooms in his palace. "And to whom will the Lobkowicz palace on the grounds of Prague Castle belong?" "Not to me, but rather to my relatives, who live in America. The youngest son, Viliam, has already been back from exile in Prague for a year and is taking care of the palace at Hradcany." "And what will your relatives do with this giant palace?" "That is not my problem," retorts the prince, who is visibly relieved of a great burden.

At Krimice, the prince will take over, along with two Czech partners, a pastry factory, which is located in the former royal malt house, within the framework of privatization. A part of the profits from this factory will be used to renovate the palace. The prince is also thinking of rebuilding the palace into a conference center with the aid of foreign capital—a Japanese and an Australian enterprise have already indicated interest. The prince will not forego the magnificent palace chapel on the ground floor of the structure at any cost; it will be renovated. Some of the rooms on the ground floor will be equipped as a restaurant; the citizens of Krimice will be able to celebrate weddings at the palace in the future.

The history of the valuable furniture and objects of art, which the Lobkowicz family has collected over the centuries, is characteristic of the so-called cultural care exercised by a communist state: Some 300 pictures were scattered to 30 different locations after the Communists took power in 1948. For more than 15 years, the palace served as accommodation for apprentices. When the costs for this enterprise became too high, the comrades left the cultural monument to decay.

Since more than a year ago, Prince Lobkowicz travels to visit the Bohemian and Moravian palaces, the museums, and archives on every weekend searching for the property of his family. With the assistance of the National Museum in Prague, he was successful in finding the famous weapons collection and the still more famous Lobkowicz library of 20,000 valuable manuscripts and books. However, the most valuable item possessed by his family has not been found: 25 pictures painted by Italian and Dutch masters of the 16th and 17th centuries, including several Canalettos and Vandykes. They disappeared from the palace in 1948 after a "visit" by official party cultural functionaries. This theft will now also have to be dealt with by Interpol.

One problem for the prince is his landholdings. Prior to 1918, the palace at Krimice owned more than 1,200 hectares of land. Following the land reform at the beginning of the 1920's, the family was left with 950 hectares; today, Prince Lobkowicz will get back only 250 hectares of land. He sees the only solution for his agricultural enterprise in close collaboration with the farmers in the village. An agricultural cooperative with 600 hectares of land will be established in Krimice. It is intended to restore the fame of the Krimice cabbage and the products are intended to prevail in the market in Plzen, just like they did before the war. However, the entire affair has a snag: The agricultural land around Krimice is contaminated with chemicals after 40 years of collectivized agriculture.

What do the people in Krimice say to the return of a so-called feudal lord? "Thank God that they are coming back," says an old woman who lives in a small house on the village square in front of the palace. "After all, the Lobkowicz family always lived with us. We knew Jaroslav, the prince, as a small boy, he attended grade school with our kids. And then, at the time of the Communists, he used to repair the television sets in the whole village. When he went to Germany in 1968, we whispered to each other: He did well, the young prince, because here things will get real bad. But now I say openly, he belongs to us at Krimice!" The old woman bent forward: "Is it true that our Jaroslav, excuse me, our Prince Jaroslav, married a French princess of royal lineage?" "I know Mrs. Elisabeth; but whether she is a princess, that I don't know." "Doesn't matter," responds the woman, "she belongs to her husband, her husband belongs to us, so Mrs. Elisabeth also belongs to Krimice! After all, she is at home here now!"

Graduate engineer Jaroslav Prince Lobkowicz has three sons: Vladimir, Jaroslav, and Philipp. The oldest, the 19-year-old Vladimir Prince Lobkowicz, is studying law in Munich. Like most of the Lobkowicz family, he also speaks Czech. The ambitious heir sees his future and his home in Bohemia: "We must prove to the people that we can make it in our homeland." He feels himself tied by the traditions of his family to Bohemia and to Krimice: "When I have completed my studies here, I shall immediately return to my homeland."

The only property which was not destroyed as a result of more than 40 years of communist rule is the family crypt on a hillock overlooking Krimice. Jaroslav Prince Lobkowicz, the grandfather of the present head of the family, was the last Lobkowicz to be buried here. He died in 1953, the same year that Stalin died in Moscow. At that time, the Czech people and the Lobkowicz family had no hope and no future. Now, there is a future again at Krimice: The Lobkowicz family is returning and is once more getting to work, together with the entire village.

Komarek's Views on Economic Reform Criticized

92CH0290A Prague RESPEKT in Czech 12 Jan 92 p 6

[Article by Jiri Kabele: "I Am the Master of Time!—Valtr Komarek's Seductive Tiding"]

[Text] A year ago, in RESPEKT, I compared our embarking on the economic reform to the exodus of the Jews from Egypt. After wandering through the wilderness for a year, we must resist treacherous visions regarding a land of plenty and love, we must know these visions and take them seriously so that we may prove able to defend ourselves against them. None of us is immune to these visions in advance. One particularly dangerous mirage is being drawn for us by Mr. Komarek.

Visionaries of Progress

Deregulation of the economy, liberalization of prices, privatization, etc., all of the principal reform measures taken by the government are said to be correct. But the core of the matter lies in the questions when, in what sequence, and in what kind of mutual connections these measures are taken. Mr. Komarek is not subject to the constraints of time because he manages to direct these processes. If the government does not utilize his services, he alleges that it is doing so because it is not concerned with the general well-being, but rather with the well-being of a narrow layer of nouveau riche.

Love is time that is unconditionally devoted to others and time is also money. Consequently, love is money. It is not possible to raise many formal objections to this syllogism, even though it is not applicable. It bridges the gap between two statements, the meaning of which is contingent upon differentiating between two dimensions of fact. In any event, time represents something which is difficult to grasp and to control. The Communists and visionaries of progress, however, thought that they knew the secret of time. They were convinced that, within a foreseeable time, they can educate an unselfish communist man and that they would tame the development of society through planning without the use of money. Time did not obey them. They created a society in which neither the economy nor solidarity did well.

The overthrow of communist power opened up the opportunity for us to return to a normal democratic society with a market economy, a new time epoch with new opportunities. However, it did not make us masters

of time. Together with the other countries of East and Central Europe, we are becoming convinced on a daily basis that we do not have any time to spare, neither do we have any money and love to spare. This is the situation in which the tragicomic tidings contained in Komarek's book, *Ohrozena revoluce* [*The Threatened Revolution*], make their entrance.

Komarek's Version of History

"Failure to understand the historical essence of the current times and acting against its meaning is the reason for today's political, economic, and moral crisis. The velvet fabric of the revolution suffered considerable damage and began to redden as a result of a longing for blood and such a mechanism of "democracy" which would decapitate the adversaries and politicians of the past, much like a guillotine. Speeches and support for anticommunist passions were interspersed with seemingly innocent statements of nationalism, but also of racism and a growing criminality. These were followed by fragmentation of the consensus, by a shift to the right toward antisocialist demands, toward a deregulated market, and toward the economic model of capitalism of the last century. The fact that this may have been a goal for some political circles in our country and abroad, and possibly even their mutual interlinking, cannot be excluded.

"We shall comprehend the moraine essence of our historical epoch if we realize that we were liberated neither by Soviet perestrojka, nor by the offensive anticommunist international policy of the United States and the Western powers, nor as a result of the admirable struggle for human rights, conducted by the narrow group of our dissidents, but rather by the unbroken will of our peoples to liberate themselves from the historical anomaly of the totalitarian system.

"Our crisis is the expression of the voluntaristic political and economic concept put forward by the ruling political forces, concepts which are determined by the artificially deformed life of a small group of people who were persecuted prior to November (dissidents who do not represent any social grouping, but only ideas) and by the negation of real socialism which is brought into play by revolutionaries in communities, towns, and okreses [administrative unit] who are stepping over cadavers.

"Politics is parting company with the consensus of the revolution primarily as a result of the fact that the government is freezing the wages of four million manual laborers, that is to say, a cumulative total of 10 million people. Given the penetrating increase in prices, their standard of living then approaches that of the working class in the developing countries. Both the rural area and the entire intelligentsia are similarly pushed to the wall. The group of 3.3 million pensioners are the hardest hit. In contrast, there is the narrow layer of the population which deals in speculation and engages in exclusitory private business which is advantaged by the government. This group could include half a million or three-quarters

of a million people, who might be interested in a new round of totalitarianism, in Bilak-type repressive mannerisms, manipulations, and control over people."

Every thought-through populism relies on reconstructing history, the purpose of which is to create two worlds: us and them. We are deprived of the fruits of the revolution. We are the victims of the ill will of those of them who care only for their own advantages. It is not enough merely for us to settle with them. Such a "natural" development of affairs must also be sanctified with objective progress into the bargain.

Komarek's New Civilizational Era

"During the mass demonstrations of November, no one got hit in the face, despite the fact that this was one of the sharpest breaks in the history of our nations. The reform reshaping of our present situation requires a social program consensus and what, thus, matters is the fundamental historical content of the given process. It is only on the basis of this analytical-theoretical foundation that we can comprehend its objective consequences.

"A new era of civilization is beginning. In the area of labor, this is a trend of participation, which signals the end of the hired-labor system. In the economy, worldwide economic organizations are beginning to play a decisive role, plurality is becoming a paradigm, science and art are being permeated by a new quality of thought."

The vision of a new civilization era can be quite vague—let us recall, for example, the descriptions of communism—but what is important is that it creates the need to know how to get to it. The people will then be happy to accept the guide services of a leader who can manage to frustrate the intrigues of the government and knows how to arrange everything rationally.

Komarek's Reform Strategy

"The government is pursuing a restrictive anti-inflationary policy and devaluation which was thought up by academic economists for use in developing countries. The former is supposed to drastically reduce the expenditures of the state budget and to freeze wages and pensions of the population, accompanied by a one-time sharp increase in the price level, and is thus intended to assure internal balance. The latter is intended to transfer the domestic sales difficulties brought about by the former to the export sphere; the devaluation-driven cheapening of exports is supposed to assure the greater salability of products which are inadequately competitive. Increasing exports is supposed to balance the external imbalance of those indebted countries and stimulate the interest of foreign capital. The result is an economic recession, inflation-driven high prices, economic criminality, and unemployment.

"The historical heritage of revolution is not the advancement of economic reform as dictated by the government and the state apparatus. The citizens have no defense

against devaluation, inflation, unemployment, against worsening medical care, against the impoverishment of pensioners, etc. This policy is aimed at disadvantaging the working class and providing advantages for the nouveau riche and future capitalists. Komarek's reform strategy, however, is based on the fact that the CSFR allegedly has the largest conventional industrial potential in the world at its disposal (we have been seven times in first place in the production of 15 key industrial products). This forms a giant capacity for the tenacious revival of production which would acquire room as a result of the return of the real purchasing power of the population to the 1989 level.

"This can be assured by the reform, connected with rapid and massive privatization in the sphere of commerce, in the restaurant business, and in other services, as well as in small business activities, a reform connected with such a macroeconomic and structural regulation which would stifle disproportionate demand in the least efficient focal points and would support trends toward prosperity. This strategy further incorporates structural policies which include demanding programs: the introduction of new technologies, the modernization of industry and agriculture, increased competitiveness, and development of an export offensive, development of tourism, development of the infrastructure and of the entire services field. This would be accompanied by a development of a market and by activation of a housing policy, a policy for the development of science, education, health services, the ecology, etc.

"The prospects of decline of domestic capital, the prospects for moral and physical deterioration, and the prospects for the predatory devastation connected with the massive exodus of our highly qualified people (a warning prognosis) thus stand opposed by the prospects of a transition toward economic growth and support for the expansion of selected products and services, including the broad expansion of private business. A socially oriented market will assure a humanitarian program of partially free and universally available medical care for the physically and mentally handicapped, expansion of mother and child care, including appropriate monetary payments, acceptable housing for the socially weak population strata, etc. Over a period of one to two years, wages could double (a positive prognostic alternative)."

The Mirage of Abundance and Love

Who would hesitate to support whom politically following such an in-depth and comprehensive analysis? Except that faultfinding, self-praise, and promises are one thing and real opportunities are another. The current structure of demand—of everything which people and industry need—basically does not reflect the structure of the offering, that is to say, that which industry and the services produce. Even according to Mr. Komarek, restructuring will require approximately \$150-200 billion, a sum which nobody would lend us. Even in the event we had this money we could not place it under the

conditions of our state economy wherever it would be needed. Following the elimination of the leading role of the party, its monopoly system for handling national property disintegrated. This situation creates exceptionally favorable conditions for the uncontrollable shifting of freed-up resources, that is to say, particularly the financial resources intended for restructuring, into the shadowy sphere.

The expansive monetary policy which would stimulate demand and inflation would thus make many a production process, which would otherwise have to be halted, "profitable" only on a very temporary basis (Jonas, LIDOVE NOVINY, 12 December 1991). Komarek's proposed reforms are no different in principle from the "set of measures" dating back to the pre-November period or from the safety-net programs of the socialist governments in East European countries; they are also replete with good intentions and fail to solve the main problem because that takes social security payments to the population. Komarek's optimistic ravings about a new era more than eloquently argue against the appalling results of the reform efforts undertaken by the Soviet republics and by the Balkan nations.

Of course, there is also a little truth in what Komarek says. The essence of his rhetoric turns out to be the free formation of half-truths. He does not care that he contradicts himself. The reader, who is a layman, will not notice this. Komarek makes free use of the argumentation of the other side, despite the fact that it conflicts with his own starting points. He accuses others of what he himself does without inhibition (he moralizes, he twists facts, etc.). He stuns the public with specialized jargon and immediately thereafter makes a reference to human wisdom. He has something for everyone. Sensible exhortations and interesting considerations stand closely alongside many expressions of egregious nonsense. He is permitted everything: After all, he is bringing mankind the vision of a new era. He has a stoic mission, he is the master of time.

Komarek is an orator, he has charisma, and God was also not overly parsimonious when it comes to intelligence. However, without ethical inhibitions he easily becomes the victim of his priorities and could even drag all of our society into the abyss of his "mirages." The Social Democratic Party can copy the strategy of West European Social Democrats a thousand times over, it can draw a thick dividing line between itself and the Communists, it can proclaim the thesis that, within the party, the right wing must predominate, it can fight against populism and social demagoguery, and it can noisily preach solidarity. As long as it has elected Komarek to head it, all of these good intentions are transformed as a matter of law into a mere integral part of his intellectual self-delusion.

Klaus's Reaction to Independent Economists Noted*92CH0277B Prague MLADA FRONTA DNES in Czech 7 Jan 92 p 1*

[Interview with Vaclav Klaus, CSFR minister of finance, by Jiri Leschtina; place and date not given: "Jiri Leschtina and Vaclav Klaus"]

[Text] [Leschtina] In your reaction to the statement by the Czech and Slovak independent economists on the transformation of our economy, you disagreed, in the daily PRACE, with their criticism of the government. In contrast to numerous demagogic assaults, however, this statement clearly supports all fundamental principles of the reform. Would more compromise on your side not be more appropriate for that reason?

[Klaus] I accept this text as an opinion of economists. Incidentally, I invited some of those specialists who signed the statement—in vain, I might add—to come to the aid of the reform, say, as advisers. But I cannot agree when they state that the government is making a serious mistake by not taking care of the influx of foreign capital. Insofar as the independent economists criticize us for the fact that foreign capital does not have access to the first round of privatization, I would like to remind them that in the political climate in which the law on small-scale privatization was being adopted, we were happy that we were able to prevail at all regarding the participation of foreign capital in the second round. During the same week that the statement by the independent economists was made, the newspapers and economic journals carried a number of interesting texts, for example, the polemic by Docent Trunek from the College of Economics, who argued with the views of Valtr Komarek, and it is not necessary to ascribe disproportionate weight to any one thing.

Klaus on Statement by Independent Economists*92CH0277A Prague PRACE in Czech 3 Jan 92 pp 1-2*

[Interview with Vaclav Klaus, CSFR minister of finance, by Stanislav Jankovsky; place and date not given: "We Cannot Be Independent"]

[Text] The ongoing economic reform is accompanied by an endless series of social changes which are frequently completely beyond the daily practices which were verified over decades. In many cases, therefore, a polemic regarding their correctness or vitality results in completely differing views. On the one side, there are the well-known critical voices which criticize the process of economic transformation for being overly harsh; on the other side, for example, in the published statement by Czech and Slovak independent economist. Authority is being given to accelerating the entire process.

[Jankovsky] We asked the federal minister of finance, Vaclav Klaus, for an opinion on this statement which,

while it does not run counter to the principles of economic reform, does point out its weaknesses.

[Klaus] First of all, I believe that none of us can be completely independent in this day and age. It is our duty to be dependent in the sense of being committed and not look at what is happening around us from a distance. Not to think that it is precisely from this vantage point that everything can be seen clearly. That is not possible and, therefore, the word "independent" strikes me at this moment as being unnecessary advertising. And, what is more, I know the majority of the representatives of this independent economic community well and their views are nothing new to me.

[Jankovsky] Nevertheless, the criticisms are quite specific. They include, for example, the fact that the government is providing very little support to small and medium-size private enterprises, the fact that very few of them have resulted from privatization, and, last but not least, the fact that there is an inadequate number of state-owned dwelling units being privatized.

[Klaus] The criticism that there is little support for private enterprises is far too indiscriminate. The idea that it might be possible, through some simple method, to give preference to small nascent private enterprises, is unrealizable. None of us knows who deserves this kind of support and who does not. And the fact that small-scale privatization has given rise to only one-tenth of the desirable number of new enterprises? There are simply as many such enterprises as there are. Nothing was decreed and determined by the center. As far as privatization of state-owned dwelling units is concerned, our views on this issue are clear. We do not wish to privatize apartments, but rather buildings. We wish to create rental apartments, rather than privately owned apartments. No one is capable of visualizing the endless problems which would result from the privatization of apartments, cellars, attics, and everything else.

[Jankovsky] The third criticized mistake in the opinion of the independent economists is the prohibition to sell privatization coupons. They say this acts as a brake on the concentration of capital and, therefore, even on its effectivity.

[Klaus] The speeding up of a "false" concentration, and I mean by this the time when massive wealth would fall into the hands of groups of enterprising individuals with better immediate access to information than the majority of citizens, is not desirable in any event. It is our intention to slow down this process. Moreover, there is the opportunity to invest coupons through the action of investment privatization funds and this is already resulting in such an enormous concentration of capital which can provide grounds for fear.

[Jankovsky] What is your view regarding the opinion of the Czech and Slovak independent economists with respect to the timid position of the government and Parliament having to do with the increase of foreign capital?

[Klaus] I would truly not have expected the authors of the statement to make such a claim. After all, and this is generally known, we are criticized for precisely the opposite. Our goal is a maximum influx of foreign capital, even though I believe that it is frequently anticipated as though it were a redeeming factor. In other words, to speak of some kind of "socialist" aversion to foreign capital is dishonest. However, "nationalist" aversion exists everywhere in the world. It is necessary if a country does not want to sell, say, the trademarks of its products and to thus ruin them. This must be carefully guarded.

[Jankovsky] However, there is still the criticism of little support by the government for banking, tax, and legal institutions.

[Klaus] The fact that we would very much like to see banking and other institutions grow more rapidly and show a higher degree of quality is perhaps not doubted by anyone. After all, during the past period we got into a phase when one bank virtually gave rise to the spinning off of commercial and central banks, and today there are already 36 banks. In the coming weeks other foreign banks will come following approval of the banking law. Of course, how these banks will conduct themselves is another question. We cannot preordain for them where to aim their capital and where not to do so.

Barriers to Private Enterprise Discussed

92CH0277C Prague SVET HOSPODARSTVI (Private Entrepreneur supplement) in Czech 5 Dec 91 pp 5-6

[Article by Otto Frinta, member of the Czech Small Business Association of the Czech Republic: "This Is Not a Partial Problem!"]

[Text] Virtually two years later, Czechoslovakia is once more at the beginning of the onset of private sector development. For the present, neither adequately liberal and administratively simple prerequisites nor substantive economic conditions for the rapid expansion of the private sector have been created by a long shot.

Existing analyses of barriers to private business, the authors of which were predominantly employees of the most varied organs of state administration or representatives of state enterprise management, have dealt with the problem either from the standpoint of its macroeconomic connections and manifestations or only adequately from the standpoint of the scope and viewpoint of the processor. The nonexistence of a small and medium-size entrepreneurial class, if it is addressed at all, is considered to be an absence of one of the possible and partial solutions tending to escalate economic problems. In actual fact, this is not a partial problem. On the contrary, it can be stated that an entire series of the most egregious problems, the culmination of which may be anticipated over the coming months, is the result of the nonexistence of a small and medium-size entrepreneurial class as a prerequisite for any kind of seriously contemplated changes in the economy.

Only a very small portion of the population today has any practical experience involving private business activities and the overwhelming majority of these people are beyond the limits of the productive years. The activities of the population which are used in the area of the shadow economy can be utilized in legally operated private business activities only to a very limited extent, for logical reasons.

The specialized public, including key workers in state and enterprise management, acquired its theoretical knowledge of the capitalist economy in a sterile environment and on a scale which totally disregarded the importance of the small and medium-size entrepreneurial class. Under the slogan of centralization, accompanied by the establishment of large industrial enterprises, small and medium-size enterprises employing up to 100 workers, which were typical for prewar Czechoslovakia, vanished completely; enterprise management, independent development and commercial departments, etc., also vanished and practical experience in this sphere exists on a completely sporadic basis.

All legal standards which free up initiative on the part of private individuals, which were adopted in the first half of the 1980's, and particularly Government Decree No. 1/88 Sb. [Collection of Laws] on the provision of some services by the citizens, were the results of the inability of the centrally controlled economy to react to the needs of the population and were primarily designed to be positively outlined—in other words, permitting some activities—but did not deal with production and only dealt on a limited scale with commerce. They did not permit foreign trade relationships. With a few exceptions, the authors of these legal standards were legislative employees of the civil administrative sector of the Ministry of Interior—the same ministry which, in the past, was engaged in liquidating small businesses through the actions of national committees.

The personnel policy of the ministries was only impacted a little by the democratization changes. While changes did occur at the highest levels, the positions of the former nomenklatura at lower levels became even stronger; it is, therefore, not unusual that in many regions private entrepreneurs are being boycotted.

The above characteristics of development and the current status would, in and of themselves, be obstacles to the development of private business even if the efforts to introduce modern capitalism on the basis of preferential treatment, or at least on the basis of a nonproclamative and actual equality of private ownership, along with other forms (state and cooperative ownership), were clearly anchored within the scenario of the economic reform by way of appropriate formulations and no doubt was being cast on them.

The political differentiation of our society is accompanied by the palpable influence of a deliberate exacerbation of actual problems and pseudoproblems. This clearly acts as a brake on the discussion of new legal

standards in the economic sphere and leads to the curious approach which considers the adoption of any kind of law to be a success, without regard as to whether such a law is viable.

At the same time, little attention is paid to whether laws are submitted in a logical and functional relationship and whether they do not collide with laws which are still being prepared.

The above facts lead to fears that in both republics the system inherited from the undemocratic regime remains preserved to a considerable extent. Without defining the fundamental question of the future—the form of constitutional arrangement and the structure and distribution of institutions resulting from it—chaotic legal standards are being created without any mutual relationship between them and without effective chronological sequence. With a few exceptions the authors of new legal provisions are employees of the organs of state administration with a fundamental motivation: to prevent the denationalization of the economy to such an extent that it would threaten the standing, the importance, and the authorities of the organs of state administration. Frequently we see paradoxical situations in which the nascent private sector and its representatives are the last who can express their views regarding the pending legislation.

The privatization laws form an inseparable part of the economic reform, among others, they were supposed to be the fundamental prerequisite for the rebirth of the small and medium-size entrepreneurial class in the CSFR. For the time being, however, nothing would indicate that these laws will lead to the anticipated results.

The law on small-scale privatization was supposed to eliminate the monopoly of state enterprises, to create a competitive environment, and to break up the existing structures controlling the market. Without these prerequisites, the establishment of a small and medium-size entrepreneurial class is virtually impossible. However, a large part of the enterprises was removed from the small-scale privatization process and artificially created state stock corporations came into being, as did some enterprises with foreign property participation. Joint lobbies made up of some employees of state administration and enterprise management thus again prevailed, through the use of administrative exceptions, at the expense of real denationalization.

Entrepreneurs who have acquired operating units as a result of small-scale privatization are not provided with sufficient security for business activities by the law. Even the extension of the rental period of an auctioned-off unit from two years to five years, which is contained in the amendment of the law, does not rid the entrepreneur of the uncertainty as to who will be renewing the rental agreement upon expiration of the deadline, and to what extent this will be accomplished.

And not even the large-scale privatization law is favorable from the standpoint of establishing a small and medium-size entrepreneurial class. In the event the coupon method were applied mechanically in all enterprises, scattered ownership of anonymous stockholders will occur. With respect to small and medium-size enterprises, specific responsibility by a specific owner is far more suitable from the standpoint of assuring the most rapid development of prosperity and dynamics.

Similarly, the financial and tax system is not making an adequate contribution to the creation of favorable conditions for entrepreneurs. In the tax area, improvements are not expected to take place until the tax reform which will become effective on 1 January 1993. Domestic financial institutions, with their unacceptably long time limits, involved in the handling of financial transactions with foreign countries are acting as a brake on foreign trade contacts. Also, the loan policies of financial institutions are unsuitable, particularly the difficulties involved in acquiring a loan for a private entrepreneur, along with an inadequate interest rate.

One of the most serious barriers to private business undertakings are the highly limited opportunities for acquiring nonresidential space. In this regard, the preservation of existing enterprise structures involved in the housing economy has a negative effect. Not even in the rental sector has it been possible to prevent corruption; the opposite tends to be true. A businessman is not even certain about the length of a rental arrangement, nor the size of the rental, which is influenced by decisions made by local (okres, municipal) organs of state administration.

The above barriers to private business undertakings do not exhaust the entire scope of the problem, but rather draw attention to the most tender spots. The real prospects for private business in Czechoslovakia depend on whether those forces that consider private business and the coming into being of a small and medium-size entrepreneurial class to be one of the fundamental prerequisites for the creation of a true market economy, will prevail in the political as well as in the economic sphere.

EC Official on Association Agreement

92CH0288B Budapest FIGYELO in Hungarian
2 Jan 92 pp 1, 22

[Interview with Pablo Benavides Salas, director of the EC No. 1 Directorate, which deals with external relations and trade policy, by Denes Baracs in Brussels; date not given: "Hungary's Association With the EC on Balance...As Viewed From the Other Side of the Table"]

[Text] Pablo Benavides Salas is the director of the No. 1 Chief Directorate of the EC (which deals with external relations and trade policy). He headed the EC delegation which negotiated with Hungary, Czechoslovakia, and Poland concerning these countries' association with the EC. Together with Hungarian Delegation Chief Endre Juhasz, he initialed Hungary's agreement on association that has been signed by Prime Minister Jozsef Antall in Brussels on 16 December. FIGYELO's reporter asked Benavides how he viewed the negotiations and the agreement itself from Brussels' vantage point, from the other side of the table.

[Baracs] Mr. Benavides, at the press conference that preceded the initialing of the agreement you said that negotiations to draft the agreement had been very difficult. How do you explain this difficulty, what was the structural reason, so to speak, for this difficulty?

[Benavides] We have been negotiating with three countries, but at this time I want to speak mainly about Hungary's case, because that had its own, specific aspects. The first reason for the difficulties was that we established rather ambitious goals. We wanted to create agreements that integrated these countries as much as possible with the realities of the West in general, and of the community in particular. This then raised the question of how far these countries could go in fulfilling the community's requirements and how far the community was willing to go in satisfying the needs and desires of these countries to become associated, notably with respect to sensitive areas such as agricultural and textile products. In these respects the community had been inclined to open the market at a slower pace, while in other respects, such as financial services, Hungary's economic structure did not permit development at a rate the community would have desired. Technical difficulties have also occurred. A thorough examination of Hungarian laws and reform measures revealed that changes were still being made and that much remained to be done. Hungary has so indicated throughout the negotiating process and we took this into consideration, of course. The meaning of all this was, however, that conflicting interests existed in the various sectors and that a compromise had to be reached.

[Baracs] It is always possible to compromise. The question is what kind of compromise had been reached.

[Benavides] Throughout the negotiations we endeavored to give serious substance to the agreement. The compromises we have reached do not represent minimums. We

have gone rather far in making mutual concessions. I agree with Hungarian delegation chief Endre Juhasz's statement that several elements of the agreements relate to the situation "prior to joining" [the EC]. Competition rules and economic legislation are such elements. While Hungary does not comply with the membership criterion of directly enforcing EC rules, it is gradually applying laws enforced within the community and this means additional adaptation on part of Hungary. No previous agreement of association has included a requirement that a country's legislation must approach EC standards; in the past, this requirement had been part of agreements to join the EC. Accordingly, the agreement with Hungary is somewhere near the halfway point [between becoming associated and joining], even if institutional linkage has not been discussed. I, personally, wanted to accomplish this because of existing difficulties with EFTA-EC [European Free Trade Association-EC] agreements. We were able to avoid these difficulties relative to Hungary. (An agreement between EFTA and the ECC concerning a European Economic Sphere is pending because in the last minute the EC Court questioned whether the common institutional system specified in the ECC agreement could be reconciled with the Treaty of Rome, the community's "constitution.")

[Baracs] Accordingly, association takes us in the direction of joining, and the preamble to the agreement speaks to this issue separately.

[Benavides] Yes, moreover, it provides a rather good formula. It recognizes that Hungary's goal is to become a member of the community, that Hungary has a right to do so and that this is consistent with Hungary's endeavors. On the other hand, this formula also states that we offer this agreement to prepare you, Hungarians, and us, the community to join in the future, if you wish to do so.

[Baracs] But at the press conference following the initialing of the agreement you added that this was not a ticket to enable anyone to enter the community.

[Benavides] The question I was responding to at the time implied that as a result of the agreement you acquired a right to join, while decisions concerning this right would be based on other criteria and would be made only after Hungary submitted an official request. If this takes place in the future we will review this matter from the standpoint of what it means for Hungary to accept the *acquis communautaire*, the totality of all rules and practices implemented by the community thus far. Accordingly, the agreement is not a ticket to enter, but it provides a good opportunity to prepare to enter.

[Baracs] We have already discussed legislation. In what other respects does the agreement prepare Hungary for the not so easy process of joining the community. As a Spanish national you are aware of the difficulties Spain has experienced.

[Benavides] I would highlight two of the criteria for joining. One is the free movement of capital, the other

pertains to the freedom of providing services, of firms establishing themselves in other EC countries. The largest number of both legislative and practical changes Hungary will have to make are in these fields. The forint is not yet convertible, steps must be taken to achieve internal convertibility first, and external convertibility thereafter. As part of the financial cooperation provided for in the agreement we are prepared to examine measures that could help the forint become convertible. The Hungarian legislature has a lot more to do to advance the free flow of capital; capital flow has been greatly liberalized within the community, and it will become even more free. We were careful in allowing Hungary to take these steps gradually, as the situation permits. The freedom of establishing firms in other EC countries is another example. Quite obviously, the community is not going to make it difficult for Hungarian firms to settle here.

[Baracs] This could hardly be regarded as a threat.

[Benavides] Let us be realistic. Firms already established within the EC have undoubtedly greater opportunities [than Hungarian firms]. For this reason we were able to make greater concessions in this regard, we were able to provide a greater degree of asymmetry. On the other hand, it will be necessary for Hungary to gradually permit EC firms to establish themselves in Hungary, and this has been the subject of much debate. The Hungarian negotiators were very careful in providing for a transition period to avoid a situation in which the community quote "colonizes" unquote Hungary. The community does not intend to do so, of course. Thus, Hungary can prepare itself during the entire ten year transition period for the free establishment of firms in fields such as financial and insurance services. This will also help Hungary in its preparations to join the EC. Hungary's capability to perform in this regard would advance preparations for joining in a rather sensitive area. This was also the most difficult aspect of Spain's joining the EC, in the end, however, the Spanish banking system has adapted successfully and quickly. Hungary, too, might be able to adapt faster than what has been indicated in the course of negotiations.

[Baracs] A plan calling for the economic, financial and political union of the 12 countries is on the agenda. A question arises in this regard: even if becoming associated with the EC brings Hungary closer to the community, will the distance between Hungary and the community not increase if, at the same time, the 12 countries accelerate their own integration?

[Benavides] These are ambitious plans and I hope they will succeed. There is, indeed, a risk of extending Hungary's journey toward membership, but, from a political standpoint, the agreement with Hungary has preceded the Maastricht summit held on 9 and 10 December.

[Baracs] In what sense?

[Benavides] The goal is to eliminate political differences, and in Maastricht we tried to establish a way to accomplish this within the community. As requested by the Hungarian delegation we included in the last minute a provision to the effect that political dialogue be conducted "at the highest possible political level." Accordingly, we are prepared to conduct dialogue from the lowest level on up to the highest. There is a goal and we have the means by which to achieve that goal. Therefore, I have no concern from the political standpoint. Viewed from an economic and financial standpoint, we have provided in the agreement on association reached with Hungary for future discussions regarding approaches to the European financial system. Accordingly, even if the length of Hungary's path to join the EC is increasing, the agreement provides ways to make up for that disadvantage rather quickly.

[Baracs] Concern has been expressed by Hungarian economists to the effect that even though the agreement goes far insofar as its political content and structural opportunities are concerned, the specific economic content of the agreement and the opportunities offered amount to far less. For example, they are concerned about the fact that trade barriers to a number of agricultural exports that are important to Hungary remain in place, while the Hungarian market opens up to the community's strong industry, albeit with a delay. Another concern is that the movement of Hungarian labor remains restricted until it becomes possible for service organizations to settle in other countries at the end of the transition period.

[Benavides] Unquestionably, the agricultural and the labor force chapters cover the most sensitive areas, and Hungary is not alone in this regard. Spain's progress in joining the EC was also slowest in these two areas. Hungary might want to give some thought to the Spanish example. What I am about to say reflects my personal view, my own experience: Spain, too, relied mainly on its agricultural trump cards and yet, in the end, it was agriculture that suffered most as a result of joining the EC. This has occurred because certain agricultural sectors have shown weaknesses. They considered only fruits and vegetables but forgot about sugar; they thought of barley, of which we produce a lot, but did not think about corn. Hungary should not make the same mistake, it should thoroughly analyze the competitiveness of its agriculture because there may be some unpleasant surprises. Together with this, it should be recognized that agriculture constitutes a sensitive area, the community's agriculture is also undergoing a painful change, it experiences crisis. No question—some tough, tense negotiations have taken place regarding this chapter.

[Baracs] Hungary is not threatening the community with some deluge, insofar as the workforce is concerned.

[Benavides] Insofar as the labor force is concerned we guaranteed certain rights and encouraged the member states to go as far as possible in this field. This, however, is a particularly sensitive area, the longest transition

period has also been designated in this regard relative to Spain's and Portugal's joining the EC. In addition, we debated this issue at a historically unfavorable time because this problem pertains to all of Europe, it is a problem which also involves well-known political difficulties. Suffice it to make reference to the results of the last election. Uncertainty also exists with respect to economic perspectives. Thus the enterprises and governments are very cautious. And there also exists a third element: What is going on "East of the East," what kinds of migrations will begin to take place? This concern is general and it is possible that Hungary also shares these concerns. Hungary has never been a great exporter of labor of course, and does not even want to become one. It intends to retain its most qualified people at home. And let us not limit our discussion to agriculture and the labor force: Hungary also has a significant textile industry. In this regard we were able to reach a significant compromise. Six years from now the community will fully open its market to the Hungarian textile industry while the Hungarian textile market will continue to enjoy protection.

[Baracs] This, too, is the subject of debate in Hungary: To what extent does the agreement provide real "asymmetry" to the less competitive Hungarian industrial branches and sectors?

[Benavides] I feel that asymmetry prevails in several ways. An analysis of the concessions made by the community indicates that insofar as industrial products are concerned, Hungarian product schedules count on rather slow, I could say from our standpoint a surprisingly slow dismantling of customs duty protection. We have been seeking something faster than that at a time when the community has already made great efforts and continues to make efforts to liberalize trade, except in the field of textiles where the opening of the market takes six years. Accordingly, some rather strong asymmetries prevail in this regard. In my view, Hungary is enjoying a maximum comparative advantage with respect to certain branches of industry this way. The asymmetry is even greater with respect to services, as we have already discussed this matter. We are already providing virtually total freedom while Hungary is shifting this matter to the end of the ten year transition period. There also exists another, not so visible asymmetry. These are unilateral clauses which favor Hungary. These provisions became part of the agreement in addition to the protective provisions of the kind provided by GATT. I would emphasize here that we have used pure "GATT language" throughout the agreement, and the dispute that has lasted for years has come to an end: We no longer regard Hungary as a country having state-managed trade. The special protective clauses enable Hungary during the entire 10-year period to provide a higher level of customs protection in regard to newly evolving branches of industry, or industries in the process of reconstructing themselves. Hungary had asked for a period longer than ten years, but we told them that if after 10 years certain sectors remained noncompetitive it was likely that they would never

become competitive. We also incorporated a balance of payments clause which enables certain corrections if balance of payments difficulties arise. The community would hardly take such steps, therefore this, too, constitutes asymmetry which takes Hungary's situation into consideration.

[Baracs] Another concern that arose in Hungary relates to "triangular trade" in the framework of which the community would finance certain purchases made by the "Soviet Union" in Hungary, but which, in the end, would keep Hungary at a distance from the demanding and stimulating market of the community, not to mention the fact that this could only be a temporary solution.

[Benavides] Various things must be dealt with separately. We have been talking about this for almost two years, Hungary has been among the first to call for such transactions even before negotiations for entering into an agreement of association have begun. This triangular trade is not necessarily linked to the agreement on association. The goal is to ensure a certain "smooth landing" after the abrupt termination of, and brutal reduction in the flow of trade between the Soviet Union and the old CEMA countries. A further goal would be to provide a certain opportunity for transition to the Hungarian economy, and particularly to agriculture, to adapt and to find new markets. The fact that a solution had to be found for the exportation of certain goods which experience crisis within the community—such as the meat sector—and that this solution was linked to triangular trade is a mere coincidence. The fact that at a certain point in time we tried to find other markets for these Hungarian products does not discontinue the opening of the market, instead it enables us, too, to make a "smooth landing." Accordingly, triangular trade is not an outcome of the agreement on association; we merely used this as a vehicle regarding certain sectors to make the agreement more palatable.

[Baracs] Many wanted to incorporate into the financial cooperation chapter of the agreement some specific, numerical commitments. Why are there no such commitments at a time when the community obviously has some perceptions regarding the extent of financial support?

[Benavides] The obligations are clear insofar as means of support are concerned. There are means for nonreimbursable aid, whether such aid is provided under the Phare program or some improved version of the Phare program (because there is enough to be improved, as we could see at the most recent Phare conference), or some other solution. The European Investment Bank continues to cooperate with Hungary as it did before. Funds have been secured for the year 1992, thus there is time left to work out future funding. We also introduced a new opportunity for providing macroeconomic support; this is the first time that such support has been made part of an agreement. We did not mention the envelope containing money because we will discuss this next year as part of the community's financial perspectives, the

EC's long term budget for the period beginning in 1993 and ending in 1997. The house is not on fire and it would make no sense to define the size of the financial envelope at a time when not even we are clear about the perspectives. Accordingly, one should wait, moreover, I would say that it is our urgent task wait.

[Baracs] The agreement calls for two phases in the process of becoming associated. What is the difference between the two phases?

[Benavides] Trade is being dealt with in one phase; one should mention at least that the transition period is five to six years for our opening of the market to the most sensitive products, while the same is nine years for the Hungarian party. In other respects, however, we see a certain rendezvous five years hence regarding agriculture, for instance. At that time we may take a look at how far we have gotten, what improvements and concessions could be made. Incidentally, we can always make new concessions, if we so decide. Five years from now we may examine the labor force situation, what is taking place in the framework of bilateral agreements reached by the member states, how we could improve the situation of Hungarians already working abroad. Many Hungarians find themselves in peculiar situations (those, for example, who hold dual citizenship). In other words, we will be able to take a second look at these things. The two phases can clearly be seen with respect to the right of firms establishing themselves in other countries, in the first phase the community makes the most concessions while the Hungarian party takes steps only in the second phase.

[Baracs] In conclusion, would you permit me to ask you a personal question? Would you like to once again lead the EC delegation when Hungary's joining the EC is placed on the agenda?

[Benavides] I must say that negotiating with Hungary is a real intellectual experience. I do not know how you do it, but you always dispatch excellent negotiating partners to us, people thoroughly familiar with both their own country and with the situation and the realities of the community. I spent hours on occasion with my friend Endre Juhasz, the head of the Hungarian delegation, to assess even the most far-reaching potential effects and consequences of the agreement. In certain respects we have penetrated even the most hidden nooks of Hungarian legislation. This was an exciting, on occasion testing exercise, it required nerves made of steel—and, of course, negotiating Hungary's membership in the EC would be an even greater experience. Time will tell whether I or someone else will perform this function.

MNB Announces Privatization Loan Conditions
92CH0297C Budapest FIGYELO in Hungarian
9 Jan 92 p 21

["Text" of circular issued by the president of the Hungarian National Bank, MNB]

[Text]

Terms and Conditions for Granting Credits and Refinancing Loans Related to the Sale of State Property

The AVU [State Property Agency] may authorize the use of special credits for individual privatization transactions in order to encourage privatization. I hereby establish terms and conditions for refinancing loans linked to the sale of state property (hereinafter: refinancing loans) as follows:

1. Refinancing loans may be obtained exclusively in conjunction with loans taken out for the purchase of state property under the jurisdiction of the AVU (Paragraph 7, Law No. 7 of 1990), irrespective of whether the sale is consummated directly by the AVU or by some other organization authorized by AVU. Refinancing loans may be granted provided that the AVU uses the proceeds to reduce the state's indebtedness.
2. Privatization loans covered by refinancing loans (hereinafter: privatization loans) may be taken advantage of exclusively by Hungarian national private persons, as defined in the foreign exchange laws, or by corporations established by such private persons or by their corporations under majority private ownership (with different terms regarding interest).
3. Any bank or specialized financial institution (hereinafter: bank) may extend privatization credits in the framework of this loan program.
4. Based on decisions made by financial institutions, individual borrowers are entitled to privatization loans amounting to a maximum of 75 percent of the selling price of the specific part of property, or to a maximum of 50 percent in case securities (stock) representing such property are purchased, and only if such securities are purchased when initially issued.
5. Privatization loans may be taken out for the purchase of specific parts of property designated in the loan agreement or for securities (stock) representing such property. Additional capital investment in the corporation resulting from transformation cannot be financed by funds received under this loan program.
6. Refinancing loans shall mature within a maximum of 10 years from the date of the agreement, including the two-year grace period, consistent with the maturity date indicated in the loan agreement between the bank and the client. The interest on such loans shall be 75 percent of the prevailing central bank interest rate. The interest rate on privatization loans granted to clients may exceed this level by five percentage points. Corporations in which private persons own a majority of the shares may obtain privatization loans from financial institutions at money market interest rates.

Privatization loans shall become due if a borrower sells the part of property, business or stock purchased with

the use of a privatization loan, except if the new entrepreneur assumes responsibility for the loan, subject to approval by the lending bank.

7. Refinancing loan agreements shall be consummated between the Hungarian National Bank's [MNB] Banking Division and the bank used by the entrepreneur.

Separate procedures govern revenues, credit relationships and other issues stemming from the sale of state property supported by the MNB's privatization loan fund.

Conditions

Regarding loan amounts not exceeding the equivalent of US\$300,000, the banks shall proceed by using the same credit investigation methods as they have used thus far, including the examination of the following with respect to small producers: the borrower's income and expenses, the profitability of the development to be funded by the loan, the small producer's management practices thus far, and the collateral supporting the credit. Small producers shall not be obligated to prepare a business plan, instead, they must present a simplified, so-called management plan.

Loans may also be used to finance domestic expenditures (in case Hungarian manufactured goods are purchased, 100 percent of the manufacturer's price or 75 percent of the commercial price may be financed).

Loans must mature in 10 years, including a maximum of a three-year grace period.

Free Fund

The amount not committed by loan agreements and still available from the fund is \$32 million.

Heavy Economic Decline Reported

92CH0297B Budapest FIGYELO in Hungarian
9 Jan 92 p 4

[Central Statistical Office report: "The Situation Has Not Improved"]

[Text] The following characterized the economic processes between January and October 1991, according to Central Statistical Office [KSH] data.

The number of business organizations has greatly increased, and the rate of increase of the number of mixed ownership business organizations has been particularly fast. While at the end of 1990 only 19 percent of the organizations was under mixed ownership, almost one-quarter of the organizations formed during the first 10 months of 1991 were jointly owned.

The decline in production is rather significant. Industrial and construction industry production amounts to 80 percent of the volume recorded a year earlier. The greatest decline in production, amounting to more than

33 percent, is in the machine industry. From among the 62 specialized branches of industry only five showed increased production (coal mining, gas manufacturing, and the manufacture of sugar, beer, and soft drinks). Production has also significantly declined in the chemical industry. Within this industry the largest decline (40.6 percent) involves fertilizer and pesticide manufacturing. Demand for these products has dropped by 60 percent; essentially, the industry received no orders for domestic fertilizers for the third and fourth quarters.

The decline also assumed overall proportions in light industry, where textile production registered the largest drop of 32 percent. Within that, knit wear industry output amounted to 54 percent of the output during the same period in the previous year, while wool products reached 62 percent and the cotton industry 68 percent of the previous years' levels during the same period.

The decline in production was caused by a reduction in the domestic solvent demand and the collapse of the East European markets.

Retail sales amounted to about 75 percent of the previous year's volume. The main reason for this is the tightening of purchasing power and the fact that people obtain some of the products they wish to buy outside the retail network.

The fact that the nominal value of individual savings has increased also contributed to the reduced purchasing power. As of the end of October the total amount of individual savings amounted to 453 billion forints [Ft], which is 22 percent or Ft85 billion more than at the beginning of the year. Sixty percent of the increment constitutes interest payments. The amount of individual foreign exchange receipts amounted to Ft118 billion at the end of October, which is 40 percent or Ft46.4 billion more than at the beginning of the year.

Investments calculated at constant prices have also declined.

The financial situation of enterprises has also deteriorated. As a result of growing inventories, receivables and the lack of temporary liquidity, short term borrowing by enterprises was larger by 40 percent than a year before. The number of insolvent enterprises owing large amounts in the long term has increased from 260 in the previous year to 620. As a result of failure to pay to shippers the enterprises' unsettled debts to social security and to the tax office have increased.

During the first 10 months imports amounted to Ft670 billion—55 percent more than a year earlier. (But at constant prices this amount is 2 percent less than a year before.) Exports for the first 10 months amounted to Ft554 billion; this value has exceeded the value of a year ago by 17 percent. (But at constant prices it fell behind last year's performance by 10 percent.) Higher energy prices played an important role in the growth of imports. About one-third of the increment represented excess

energy prices, despite the fact that the volume of energy received has not increased but declined significantly.

In foreign trade the exchange rate has deteriorated by 18 percent during the 10-month period. The main reason for this is the fact that goods purchased by former socialist countries for convertible foreign exchange has deteriorated the exchange rate, but even in trade with market economies the exchange rate has deteriorated by 10 percent.

Reduced economic performance served to increase unemployment. As of the end of October there were 318,000 registered unemployed persons. This equals 6.6 percent of the labor force. Despite the decline in the number of workers, production per employed worker has declined by 8 percent. (Within the main branches of the economy productivity increased only in the mining sector.)

Demonopolization: IKM Role Defended

92CH0297A Budapest FIGYELO in Hungarian
9 Jan 92 p 2

[Article by Eszter Bago, deputy division chief of the Ministry of Industry and Commerce, IKM: "What Is Going To Happen to the Monopolies?"]

[Text] Eva Voszka raised this question (FIGYELO No. 50, 12 December 1991 [published in JPRS-EER-92-009]): "What could explain the fact that chances for centrally managed organizational decentralization are no better today than they were 10 years ago?" I agree with her that the chances are not better today than they were before, but contrary to her view, I do not see the reason for this in the "reproduction" of ministry and enterprise endeavors to salvage the economic power of monopolies.

The lesson to be learned from the decentralization campaign initiated in the early 1980's is that in the framework of "from the top down" state administrative decisions one is able to shift enterprise structures only at the cost of grave compromises in the direction of market structures that are believed to be ideal. This is so because from the top down, centrally managed efforts to dismantle enterprises may turn into channels for endless bargaining, lobbying and the enforcement of partial interests, instead into competitive organizational development consistent with the marketplace.

The number of industrial organization has multiplied by about 2.5, from 4,090 to 10,132 between the end of 1989 and the middle of 1991. At the end of the second quarter 1991 only 881 (8.7 percent) industrial organizations had more than 300 employees. The decentralization of large enterprises had a lot to do with this. The decentralization and transformation of large enterprises into corporations could not have taken place without the involvement and agreement of the various specialized ministries.

Since the law that stimulates enterprise-initiated decentralization has been promulgated, the IKM [Ministry of Industry and Commerce] has examined 110 cases in which enterprise units wanted to become separate and sever their relations with a large enterprise. This review resulted in the establishment of 80 new enterprises. The Brick and Tile Industry Trust and the MEH Trust [Byproducts and Waste Collection Trust] are being discontinued in response to a specific initiative by the IKM.

In the framework of the interagency, ad hoc committee was referred to as "Demonopolization Committee" by the author, the IKM has examined the present market situation of 25 large enterprises which had been monopolies before. In doing so it became evident that the changed conditions of supply and demand, the decentralization of an overwhelming majority of these enterprises, the broadening of competitive imports and emerging domestic competitors significantly reduced the superior market power of these enterprises and thus also their opportunities to abuse this superior power. Disintegration of the inherited organizational structures has begun, direct involvement by the state in the form of a campaign in this process would be inappropriate from the standpoint of competition policies.

Three fundamental economic policy means exist to counter monopolies: First, monopolistic activities may be controlled by enforcing the law on competition. Second, competition against producer organizations may be created by strengthening competitive imports, and third, the market entry of new entrepreneurs into monopolized fields may be encouraged by stimulating enterprising.

A frequent dilemma that occurs in the course of privatization is that buyers want to privatize enterprises "as a single unit or not at all." It is rather difficult to make the "not at all" choice whenever there is no chance to find another buyer. One can more easily and more rationally resist the series of offers made by large foreign investors to purchase an enterprise. One should be able to realize, however, that under the present conditions of demand for privatization the "institutional linking" of privatization and demonopolization may, in many instances, be tantamount to a clear surrender of privatization. All this goes to prove that privatization, too, is only one type of action that may be taken against monopolies.

A more objective assessment of IKM's role would also convince Eva Voszka of the fact that the ministry must not be regarded as a spokesman calling for action against the separation of units of enterprises. And this is not contradicted by the fact that legal requirements obligate the ministries to establish conditions for separation of industry units in advance.

Situation of Small Enterprises Discussed

92CH0288D Budapest FIGYELO in Hungarian
2 Jan 92 p 21

[Interview with Laszlo Arva, chairman of the National Small Enterprise Development Office, by Andras Varga; place and date not given: "Hyenas Have an Advantage"—first paragraph is FIGYELO introduction]

[Text] OKFI [National Small Enterprise Development Office] celebrated its first birthday recently. We asked Laszlo Arva, the chairman of the OKFI, how he managed to accomplish the organization's goals and what he thought of the situation of entrepreneurial ventures.

[Arva] After studying similar foreign—American, French, and Swedish—offices we decided to establish a small enterprise development office whose primary responsibility would be to coordinate governmental policies regarding small enterprise development and to facilitate the flow of information. We set a maximum limit of 30 persons for our staff. We managed to achieve our first goal after overcoming some obstacles. The various institutions—the Finance Ministry, the Ministry of Industry and Commerce, the MNB [Hungarian National Bank], the Ministry of Labor Affairs, and the Ministry of Justice—are aware by now that there exists an office with which they would be well advised to consult in advance regarding legislation and the framing of legal provisions that affect small enterprises.

Making progress in developing an information system proved to be a harder nut to crack. We hoped to have a common standard accepted and to have the various existing networks and systems linked by telephone lines. But the sober mind does not always prevail over selfishness. But last summer we succeeded in establishing a club of entrepreneurs' houses [as published] called Joinfo; the club is already organizing the information network, it has 150 members and we are providing computer support and assist them in obtaining funds. The establishment of the Hexagonale information system headquarters in Budapest will represent a significant step forward.

I was not very hopeful about being able to provide direct information. And yet, we already have publications such as "The ABC's of Credit, Technical Information, and Agricultural Information," and we are now looking for sponsors to support the publication of our booklets entitled "Foreign Trade" and "Insurance Information." Another matter we did not think of was our participation in education. I do not have in mind educating the entrepreneurs, but the local governments so that they know how to support enterprising and entrepreneurs.

[Varga] As a governmental organ as well as an organization acting in support of entrepreneurs, have you ever felt that your situation was schizophrenic?

[Arva] The government should be perceived as a 3,000-year-old Chinese invention whose purpose it is to provide services. It is a foundation in which parliament is the board of directors and where the government serves as the managing director. I believe in a government that provides services, one that pursues service activities in support of entrepreneurs. Accordingly, I am not experiencing a schizophrenic situation, it is my job to serve the entrepreneurs.

[Varga] In regard to what laws and legal provisions has OKFI been able to express its views, and mainly, were you able to achieve something as a result of consultations?

[Arva] We initiated the benefit for starting entrepreneurs, and a provision for such benefit has made its way into the previous budget. This year we also delivered a tough counter opinion to the government and to legislators. We are also making initiatives to amend the law on individual entrepreneurs. It should be replaced by a law on small entrepreneurs. We will soon deliver to the government our concepts regarding this law and these will be based mainly on recommendations made at last month's Kaposvar conference (FIGYELO No. 49, 1991). [Recommendations pertained to programs and organizations assisting entrepreneurs, local government functions to encourage enterprising, training and the establishment of an information network. One aspect of the Kaposvar recommendations is that the conference urged the enactment of laws governing "the establishment and operation of interest groups" and information flow between the government and entrepreneurial organizations.] We are also trying to enforce our perceptions in formulating a state regional developmental policy. We reviewed the Small Business E-Loan [Existential-Loan], the MNB's privatization loan, and the Start Loan. In many instances our critique and counter proposals did not prevail because the various entrepreneurial interest groups had not been in agreement on these issues, moreover, they continually changed their views.

[Varga] The lending practice is the subject of continuous criticism by FIGYELO; some people claim that the present conditions for the E-Loan practically prevent an entrepreneur from producing the money needed to repay the loan and to pay the related interest (FIGYELO Nos. 51 and 52). [An entrepreneur asserted that the E-Loan structure was not suited to permit most entrepreneurs to participate in privatization. E-Loans are feasible only if an entrepreneur is able to guarantee that in the second year of his operations his sales will amount to 36 million forints.]

[Arva] It seems that the Finance Ministry is beginning to realize that certain conditions tied to the E-Loan are not good, thus changing those conditions is becoming an increasingly timely task. I believe that the E-Loan and the privatization loan should be combined into a single loan program. At present the E-Loan is available only to individual entrepreneurs, while privatization loans are

granted to corporations. This is an unfortunate distinction particularly if we consider that under the new tax system even a half-serious entrepreneur is forced to form a corporation and thus he would be able to receive an E-Loan only under very bad terms [as published]. Incidentally, in those days we raised the issue that the lower threshold limit of the amount an entrepreneur must finance himself was too low. Interestingly, despite these contradictions many people take out E-Loans, but it is yet to be seen what happens to these entrepreneurs thereafter. And there is no demand whatsoever for the privatization loan.

[Varga] Anyone who attends a few entrepreneurs' conferences will find hardly any entrepreneurs present, or, if he does, he will hear apathetic statements from them. What do you think, is today's economic policy friendly to enterprising?

[Arva] It all depends on what we regard as enterprising. The answer is yes, if we understand this to mean very large entrepreneurial ventures which have already entered the market. And if I added to this that the enforcement of taxation is loose, I could say that the economic policy is superfriendly to enterprising. If we view entrepreneurial ventures which operate on the borderline of illegality and endeavor to obtain short-term profits, we once again see a friendly economic policy. But it is not friendly if we consider long-term producer-type entrepreneurial ventures. The government must not be blamed for this, the fact is that the present economic policy is the outcome of several contributing factors. We are lacking a unified law governing small enterprises and the confusion is disturbing. All this favors enterprises which do not consider their own milieu, the ones that endeavor to make money fast. Today's economic policy is friendly to hyenas, but the fundamental reason for this is that the pendulum has swung from overregulation to an excessive lack of regulation.

[Varga] A few days ago VOSZ [National Association of Entrepreneurs] opened its International Entrepreneurial Commercial Center in Győr. This was a ceremonial event, the minister of international economic relations was present, but, as it turned out later, there were no entrepreneurs present. But there were many mayors who hoped to find entrepreneurs who would establish plants employing 50-100 workers in their settlements. But entrepreneurs and local governments did not get together on this occasion. Local governments do not have funds, and those who would like to be engaged in enterprising have no money either.

[Arva] Medium-sized and large entrepreneurs have good opportunities today, but financing is of great concern to small and starting entrepreneurs. We must open up the appropriate channels for these, and local governments must also play a role in this regard. This is one reason why we organized a training program for professionals in local government. Our training programs have been attended by officials from 70 percent of the counties, and

within these, from between 80 and 90 percent of the settlements. Local governments are unable to resolve the fundamental problem of course, but they can do something to assist the entrepreneurs e.g., by opening local information offices to assist starting entrepreneurs, by establishing development corporations, by becoming parts of information systems and by establishing incubator houses [as published]. Unfortunately, only three of these are functioning, and local government has an interest in only two of these. The regional development corporation headquartered at Oriszentpeter in which 43 villages participate is an example to be followed. This will be followed soon by another development corporation headquartered in Heves, and another comprehensive development corporation for the County of Nógrád. It will be possible to mobilize scattered amounts of money this way, funds that would not otherwise flow into these channels.

[Varga] Are you able to tell something encouraging to entrepreneurs?

[Arva] Many entrepreneurs—above all, the small ones and the beginners—are apathetic because of the limited number of financial resources. They frequently refer to taxes, but these do not cause as great a problem as they claim. Entrepreneurs feel that the tax situation is this grave because conditions for obtaining funds are catastrophic. In comparing our taxes with those of other European countries one finds that our taxes are not that bad, instead day to day financing and obtaining money for long-term financing are the worse. Zero possibilities exist for obtaining long-term financing. Not only interest rates are high, money is not available either. This may be explained in part by restrictive monetary policies, but one should also be aware of the fact that large amounts of savings flow into the real estate market which do not find their way to entrepreneurial ventures. This is why parliament should adopt the laws governing investment companies and venture capital companies as soon as possible, to relieve the entrepreneurs' overwhelming reliance on bank financing. Incidentally, I had expectations that the banking law adopted last year would also permit banks to operate more efficiently than before. The financial infrastructure must be set preferably by the end of the year in order to overcome concerns about financing. And if the inflation rate is indeed reduced to around 20 percent we will no longer have to enforce a stringent monetary policy in 1993. I am optimistic to this extent and I hope that entrepreneurs will share this optimism.

[Box, p 21]

OKFI and the Budget

The OKFI objected to the budget on principle and for practical reasons. Insofar as principles are concerned, it made reference to the example set by OKFI itself: it is possible to work with a small staff. OKFI felt that ministries working with "a terribly large central staff" had been oversized. OKFI attacked the special support

funds tied to ministries, which, in OKFI's view, were funds for so-called insiders. At press time it appears that these funds will be discontinued as of 1992. Similarly, a remark pertaining to principles held that whenever a choice had to be made between supporting the unemployed on the one hand, or supporting enterprising on the other, the government should restrict the amount allocated to the former and redirect it to support the latter.

The remainder of OKFI's comments pertain more to technical issues within the tax system. Thus, for example, OKFI agrees in principle with requiring itemized expense accounting, but claims that this cannot be accomplished in the field of agriculture, because many agricultural producers do not possess the knowledge required to perform itemized expense accounting.

Entrepreneurs subject to personal income taxes who produce and perform personal services will be unable to acquire modern technology if in the future they will be allowed to amortize their fixed assets in the course of six

or seven years. Private entrepreneurs have been barred from taking advantage of benefits provided under the corporate tax law. The position of the private entrepreneurial stratum is further deteriorated by the fact that investment benefits are slated to be discontinued, if the present legislative proposal prevails.

Contributions to employee pension funds can be accounted for as expenses under the corporate tax law. But this method is available to employees only and not to private entrepreneurs, because they are not permitted to contribute to employee pension funds on their own behalf. OKFI complains that a present rule, under which a private entrepreneur (or corporation) could reduce his (its) tax base if he (it) employed a person who performed public work or received unemployment assistance, was slated for abolition.

Despite all these and other comments of a technical nature the OKFI feels that modernizing the tax system is unavoidable, and it objects to annual changes in the tax system.

Center Accord's Decommunization Campaign Assailed

92EP0187A Poznan WPROST in Polish No 2,
12 Jan 92 pp 55-56

[Article by Prof. Andrzej Ratajczak, president of the Executive Board of the Association of Polish Lawyers: "The Leftist Center Accord"—first paragraph is WPROST introduction]

[Text] Decommunization should commence first within the Center Accord itself because the legal-political approaches proposed by not only Jan Olszewski but also by all of the other leading Center Accord activists are contaminated by what could be modestly defined as the so-called socialist mode of thinking.

ZYCIE WARSZAWY of 29 October 1991 and NOWY TYDZIEŃ-WOKANDA of 27 October 1991 had published interviews granted to Editor Tadeusz Kucharski by Jan Olszewski, a member of the leadership of Center Accord and the current chairman of the Council of Ministers.

In the interviews he had granted Jan Olszewski, a lawyer by profession, commented on two questions that are of immeasurable importance to the proper existence of this state: the constitutional provision stating that Poland is a law-governed, democratic state and the "legal nature" of the "decommunization" plank of the political program of Center Accord.

In the above-mentioned interviews, Attorney Olszewski tried to justify somewhat more broadly than in the past the applicable postulates of Center Accord, which he, without specifically mentioning it, modified and revised so as to endow them with a more humane, more humanist dimension, while at the same time intimating to the readers that both the leadership of Center Accord and he himself have always thought, said, and written in such a manner, and that the problem is that their thoughts were misinterpreted. Proceeding from that premise, in the interview recently published in NOWY TYDZIEŃ-WOKANDA, Olszewski declared that he was not taking seriously the accusations, published in the weekly WPROST, to the effect that he was supposedly advocating "legal anarchy." That is because he considers these accusations to be a political ploy rather than a polemic valid on its own merit.

At the same time, however, he refutes himself by engaging in polemics with WPROST, or, more precisely, with my article herein, stating that had the above accusation originated from what he would consider a serious source, he would have found it very simple to rebut it, because he believes that translating into reality in Poland the idea of a law-governed state on the basis of the system of law we have inherited from the Polish People's Republic is proof of failure to understand the nature of communist legislation, and so forth. Unfortunately, this view is no answer to the accusations contained in my article—and not only there, since they have recently also been repeated in the

article by Ewa Letowska [the Citizens' Rights Spokesperson, a sort of Polish government ombudsman], "The Uses of an Old Sock" (RZECZPOSPOLITA, 11 August 1991)—inasmuch as I had criticized J. Olszewski's views not on the grounds that Poland is already a democratic law-governed state but on the grounds that his views advocated disregarding and not enforcing a particular law just because it is a bad law.

Since I do not want to be once again suspected of substituting a political ploy for a substantive polemic, a suspicion which is not true anyhow, this time I will cite a passage from the article of Professor Ewa Letowska, whose views I share fully. She states that, among other things, "Our critics of the idea of a law-governed state declare that if a law is bad it should not be enforced. Our supporters on the other hand declare that if a law is bad it should be amended. The commandment, 'Do not enforce this law because it is a bad one,' is addressed to the judiciary and civil servants, because it is they who engage in day-by-day law enforcement. Thus the author of such a commandment safely reclines in his armchair and loudly challenges others to accept the risk and responsibility. Sure, such challenges should be issued, but to the parliament, to the media, and in the form of appropriate planks in the programs of political parties, instead of demanding that the judge, the civil servant, or the government spokesman speak their own mind and declare at their own risk and responsibility, 'I'm ordering thus and thus: This law is bad and therefore I announce that it is not binding.'" Besides, Prof. Letowska further states, such an action would be totally ineffective in the long run, because it means introducing sheer anarchy into law and its enforcement.

I hope that the above comments will be considered seriously by Attorney Jan Olszewski and that he will respond to them objectively by employing legal rather than political arguments.

Although the aforementioned two recent interviews with Attorney Olszewski contain certain new elements palliating somewhat the negative implications of his previous comments they still continue to elicit many serious reservations as well as a fundamental objection. They indicate moreover that Center Accord should commence decommunization within itself first, because the political and legal approaches to "decommunization" proposed by not only Jan Olszewski but also all the other leading Center Accord activists are contaminated by what could modestly be defined as the so-called socialist mode of thinking.

Thus for example in the interview recently published in ZYCIE WARSZAWY Attorney Olszewski declared that the three legal elements of the decommunization proposed by Center Accord are as follows: "a definitive smashing of communist structures, the need to reject a particular tradition, and the need to assign responsibility for the operation of the communist system in Poland." At the very outset, it should be stated that the above-mentioned elements of decommunization are political

rather than, as Olszewski suggests, legal in nature, and are to serve as rationales for taking measures of a legal nature. Not one of these elements, however, justifies or warrants adopting special regulations that would sanction carrying out decommunization under the aegis of law, because, as rightly noted by Democratic Union activists, the regulations binding at present allow the prosecution of persons who had perpetrated evident crimes while in power in the Polish People's Republic. Moreover, communism as a system of government has ceased to exist together with the structures integrally linked to it, and as a theory it has not proved itself in practice and has been abandoned even by authentic communists, who themselves reject this tradition. Under these circumstances, it is possible to "decommunize" only what the Marxist-Leninists combatting the relics of capitalism in People's Poland and other former countries of so-called real socialism used to refer to as "relics of the past" (see e.g. K. Marx, *A Critique of the Gotha Program*, or V. Lenin, *The State and the Revolution*), upon their even having developed for this purpose the so-called theories of "relics." Under these theories, the blame for the grand failures, shortcomings, disturbances, tensions, and difficulties of "socialism-building" is to be attributed to the carriers of these relics. In effect, such theories served to make possible the legal prosecution of completely innocent individuals and their deprivation of personal property, jobs, status, and even liberty. Under these theories, first the "capitalists," the "landlords," the "kulaks," and the "petty bourgeois" were repressed, and thereupon, in that order, so were the prewar police, public prosecutors, judges, and officers of the Polish army, and once all these groups became pacified, campaigns began to be waged against the intelligentsia, Jews and other national minorities, and the Catholic Church as well. Thus, history is beginning to repeat itself, except in a somewhat new packaging.

Relations With Border States Reviewed

92EP0180A Warsaw GLOB 24 in Polish 2 Jan 92 p 2

[Article by Adam Janowski: "The Border States: A Survey"]

[Text] The traditional political and military alliances by which we were tied had collapsed not at the moment of the collapse of the Warsaw Pact but once the Soviet Union was dissolved. Our entire military doctrine had envisaged only one direction in which to target our arms, whether in defense or in offense—westward. Now that the USSR has turned into at least a dozen countries—and the recognition of 11 of these by Europe does not at all mean that this is the final break-up of the empire—our future relations with them deserve considering.

In the northeast we border a political fiction, for how else can we call the Kaliningrad Oblast of the former USSR? If it is to remain Russian, it will remain isolated from the Russian mainland and, sooner or later, it is bound to be a source of conflict between Russia and Lithuania. In

this connection it is possible that this conflict will involve, in one way or another, Germany and, unfortunately, Poland.

Next there is Lithuania, which is reverting to its tradition of hostility toward Poland. Small countries most often define themselves through their opposition to bigger ones, and the anti-Russian mood in Lithuania is turning into an anti-Polish one. One reason is that, following the principle "the enemy of my enemy is my friend," the Poles in Lithuania gave more support to Russian communists than to Lithuanian democrats. Once the communists were gone, and the Russians remained still too powerful, the Lithuanians began to vent their resentment on our compatriots.

Generally speaking, nowadays the attitude of Poles toward Lithuanians is better than vice versa: according to sociological surveys conducted in 1990 two out of every three Poles felt friendly toward Lithuania—though it may be that recent events have somewhat altered this proportion—whereas only one out of every four Lithuanians feels friendly toward Poles.

As for our relations with Belarus, they are the smoothest, because, as Stalin used to say derisively though not without reason, as a country it was a fiction. No one is denying the existence of the Belarussian nation, and no one is denying its right to a statehood of its own, except that somehow in the past there never seemed to be any point to it. The only previous form of Belarussian statehood was that of a Soviet republic, which can hardly be said to be a sovereign state. And since, for the time being, the Belarussians have no demands on us, and we do not covet Polesie, our relations are certain to be free of conflict.

As for Ukraine, it is a real problem. Suddenly we have gained a new neighbor whose administrative boundaries satisfy neither himself nor any of the states bordering him. What is more, it is a huge country, and a populous as well as, in theory, rich one—to this day it is the only remnant of the USSR to be self-sufficient in food and hence independent politically. In addition, it has, for the time being, nuclear arms and it avoids ties to the military structures arising in the former USSR. Seen from a purely military point of view, an army of, presumably, 200,000, equipped with more or less the same armaments as we and commanded from a capital which remembers former slights on the part of Poland, has sprung up under our nose. The pandemonium that occurred at the Szelginie border crossing is only a prelude.

Moreover, in Poland there live at least several score thousand people who feel themselves to be culturally linked to Kiev owing to their religion, language, or traditions, and above all, who feel estranged from Poland chiefly owing to "Operation Vistula" [a drive to root out Ukrainian partisans in Poland, conducted in 1947], but not only for that reason. The Ukrainian scouting movement or the attempt to revive the OUN

[Ukrainian Partisan Movement] in "Trans-Curzon Land" reaching as far westward as Lublin and near the Pieniny Mountains, are of course no threat to Poland but they can fan the flames of mutual hostility. A year and half ago I attended a meeting of Rukh [Ukrainian nationalist movement] far from the Polish border, in Zaporozhe, which is located much closer to Odessa than to Przemyśl. And among the questions asked there was whether the Trizub [The Trident—a symbol of Ukrainian irredentism] would take away from Poles the land beyond the San River.... As for us, on our part the resentment we feel about Lwow [Lviv, taken from Poles by Stalin and transferred to the former Ukrainian SSR] is on the whole greater than what we feel about Wilno [now Vilnius in Lithuania], also owing to the fighting in the years 1918-20 and the cruel methods of the Ukrainian partisans fighting in Poland until 1947. People forget that the emigre Ukrainian government [in the interwar period] had its seat in Warsaw, and that the officers of the last—if the Galician SS Division is not considered—regular Ukrainian army drew their pay from the GISZ [Main Inspectorate of the Armed Forces], but they remember the pacification of the Bieszczady region, executed by the Ukrainians in the same manner as that practiced by Germans in the Zamosc region [shootings of males, deportation of women and children]. Is it surprising that both Ukrainians and Poles will find it difficult to engage in friendly cooperation?

As for Slovakia, fortunately, it is just about the only one of our neighbors with whom we have no boundary disputes and our two countries gravitate toward one another. To be sure, the Slovak minority in Poland is more numerous than the Polish minority in Slovakia, and some disputes do arise in the boundary zone, chiefly about bilingualism in schools, trade, and liturgy, but they are trivial disputes compared with the Slovak-Hungarian conflicts. As bad luck wills it, economically we have nothing to offer to Slovaks (other than the by now traditional contraband of alcohol and horses) that we do not need ourselves. In the political sense we ceased to be attractive to Slovaks once we resolutely supported the Czech federalist concept. Slovaks have been—often justifiably—feeling themselves to be the younger brothers in their state, but Polish policy supported the stronger, the Prague instead of Bratislava. It is thus natural that Slovaks are turning their backs on us.

For the time being, the Moravians do not aspire to a statehood of their own, so that leaves us with the Czechs only in the south. Well, the Czechs, who are blaming us for 1968 just as much as they blame the Soviets (thought they had completely forgiven the GDR Germans some 15 years ago), have abolished nearly all the rights of the Polish minority in their part of Silesian Cieszyn and in the Olza River region, and they continue to covet Kłodzko (from which they withdrew only as late in 1946!). But while these border-region tensions should not be exaggerated, it should be borne in mind that Poland and the Czech lands (Czech lands, not Czechoslovakia!) are natural rivals on the road to Europe [i.e.,

they compete for membership in the European Community]. Both these countries realize that they can join the EC only by way of Germany; hence the race between the Warsaw and Prague ministries of foreign affairs to Bonn and Berlin. On that road no constraints apply, and this accounts for, e.g., the recent opening at the Berlin center of Czechoslovak culture of an exhibition concerned with German traditions in Czech lands, an exhibition which left unclear the question whether "Kattowitz, Hindenburg, Hirschberg" are German cities inhabited by Czechs or Czech cities ruled by Germans [as published].

Paradoxically enough, the propagandistic slogan, "The Border on the Odra and the Nysa is the Border of Friendship and Peace" has proved quite true. To be sure, those Honecker kisses are no more and the problem of the left bank of the Odra (Szczecin!) persists, but our western border is becoming the most peaceful one. It was no accident that officers of the Polish and German armies had recently celebrated Christmas Eve together under the auspices of their highest superiors—the Chief of the General Staff of the Polish Army and the Inspector General of the German Armed Forces. On no other Polish border this would be possible nowadays, except perhaps on the fragment of the Tatra Mountains adjoining Slovakia if it were not guarded by soldiers who are more Czech than Slovak. The boundary with Germany, along which neofascists from FDJ [Free German Youth] schools still at times break the windows of Polish "maluchy" [subcompact Polish Fiat cars], is the most peaceful and most friendly toward Poles. It is the sole Polish boundary along which there exist no discrepancies between the feelings declared officially and unofficially by government representatives. Of course, German—and often east German—policemen now and then turn away when drunken teenagers try to bash our compatriots but it is not a region where an armed unit would attack a tourist bus, as has already happened twice on the Polish-Ukrainian border, or where Polish trains would be maliciously detained as has recently become the rule in Petrovice near Karvina.

I do not know whether the directions of eventual defense on the staff maps of the Polish army should be changed, but it is absolutely necessary to discard the stereotypes which had been hammered into our heads for some 42 years. Several of our neighbors are not so friendly toward us, but we also have neighbors who are friendlier than we had thought.

Commercial Radio Station ZET Profiled

92EP0189A Poznan WPROST in Polish No 1, 5 Jan 92
p 21

[Article by Jacek Strzemzalski: "Radio ZET, 24 Hours a Day"]

[Text] [Boxed item: Founded by an experienced radio man, Andrzej Woyciechowski, following the roundtable

"Thaw," ZET currently broadcasts, to be sure, only to Warsaw and environs, but it does operate round the clock.]

"I don't like Janusz Weiss's jokes. It is stupid to call up people and say all sorts of foolishness, during working hours at that," declared Stanislaw Kruk, 67, a pensioner.

But her 30 years old son, Andrzej, an electrician, disagreed: "There is already so much nonsense being said on television and in other radio programs that one needs a little entertainment. I used to listen to all the programs, but now I listen to ZET."

Janusz Weiss, whose voice is perhaps the best known among Radio ZET announcers, seems to receive the most letters. They vary, but most are approving, because after all Radio ZET is something new in the history of Polish radio.

Founded by an experienced radio man, Andrzej Woyciechowski, following the roundtable "Thaw," ZET is currently, to be sure, only a local program covering Warsaw and its environs, but it operates round the clock.

Is it a commercial broadcasting station? Of course, but is that shameful nowadays? Everyone wants to make money, and Woyciechowski found a way to make it. Through advertising. ZET supports itself chiefly from advertisers, and it can be boldly stated that it is quite well off. Recently it has relocated to Piekna Street 66a, where it renovated dilapidated and smelly premises into a modern two-floor setup, one floor for the reporters and the other for the administration. In front of the building is parked, next to a subcompact bearing the station's characteristic logo, a luxury Ford car also bearing that logo.

The studios at Radio ZET are completely computerized. Ability to use a computer is also a hiring requirement there. This is not surprising anyway, considering that, in addition to its commercials and round-the-clock music, ZET probably receives information more quickly than anyone else in Poland. The distance separating the monitor providing information (received chiefly from such sources as AFP and Reuters, and only later the PAP [Polish Press Agency]) from the studio whence it will be broadcast on the 67 Mhz frequency, shortwave and stereo, is literally only a few meters. Thus when the news about the death of Yves Montand appeared on the monitor, ZET was the first to broadcast it in Poland.

One reservation that can be made about the specific nature of work at that radio station is the importunate noise that has appeared since some time ago. By this is meant the importunateness of the commercials rather than of news items. There are so many advertisements, and they follow each other so insistently, that the impression arises that not one of them can be remembered.

"We are trying to adhere to Western standards, meaning six minutes of commercials per hour," claimed

Agnieszka Wolfram-Zakrzewska, the program director and previously the editor of an information bulletin of the [Solidarity] Citizens' Committee.

The operating sequence currently followed at ZET is: commercials, music, the newscast, commercials, music.... Editor Wolfram-Zakrzewska claims that this is an optimal arrangement, tried and tested worldwide and most convenient to the listener.

There remains only the question of whether Radio ZET can have a regular audience. People are getting accustomed to particular programs, e.g., "The Troika," and to them an evening spent with a compact-disc player has practically the sanctity of a ritual. At Radio ZET this cannot be reckoned on. ZET affords no opportunity for duplicating the disc on a cassette tape. But that is not the point either, because the letters to ZET indicate that people are fed up with listening to all the chatter on the radio and prefer as much music, and varied music at that, as possible. Hence ZET is to listen to with pauses. It is to be supposed that the mentality of a ZET listener is similar to that of a videotape film viewer who can turn the VCR off and on at will whenever it suits him. A ZET listener does not constantly listen to the radio, but Radio ZET serves him or her as a background for daily exercises, and perhaps also for work.

In practice, anyone can apply for a job at Radio ZET. "If you prove yourself, know how to use a computer, and are fluent in at least one foreign language, you have a chance for steady employment," the applicants are told.

Even so the source of the greatest complaints by listeners is the diction of the presenters—their frequent errors, stutter, stammer. In the initial period of existence of Radio ZET instances of mumbling and faltering speech occurred all the time, but for some time now, in addition to the above-mentioned hiring requirements, the management of ZET has been paying attention to diction and the ability to master one's voice. What of it if a guy is fluent in three languages and can provide a good news eyewitness report if he is incapable of speaking correctly on the microphone?

Besides, the only persons with considerable radio experience at 66a Piekna Street are Andrzej Woyciechowski and Maria Wiernikowska, who incidentally is the reporter most often dispatched abroad. When asked whether the station can afford the relatively frequent foreign assignments, Editor Wolfram-Zakrzewska looks rather surprised: "Well, we provide the plane ticket and a per diem allowance, and that is it."

This company derives a pretty good income. Its employees, who also are learning journalism on the job, as it were, are paid 5 to 6 million zlotys [Z] monthly. This sounds tempting, but the work is almost nonstop; if the need arises, they stay up for long hours. Reporters may work as long as 18 hours at a time. ZET's stringers in various Polish cities are not yet paid as well as CNN's stringers, but they are ready to work hard. The novel nature of this radio station and the hope that the

Ministry of Communications will prove imaginative enough to permit ZET to broadcast nationally remain a magnet. Besides, even now signals are coming from various cities to the effect that local radio stations want to be linked to ZET. For the time being, all this is up to the ministry, including a decision as to whether the radio station in Suwalki will also be allowed to broadcast in the 67 Mhz frequency band, because otherwise major complications would arise. Besides, in regional Poland, ZET would operate only in particular blocks reinforcing, as it were, small local radio stations, since the radio station in, e.g., Przasnysz is not going to survive on its own.

In the meantime a special studio has been opened at the radio station on Piekna Street. It accommodates six persons, is entirely computerized, and will serve for broadcasting postelection meetings with politicians, usually four at a time. The assumption is that the programs to be broadcast from that studio will be especially stirring to people interested in politics. Perhaps.

Perhaps, because at Radio ZET something goes wrong at times, the tape to be played is misplaced, or the broadcast schedule is in disarray because the announcer forgot to turn on the scheduled tape.

Management thinks that this promotes a good climate of work and serves as a stimulus for inventiveness and improvisation. But there are some listeners who claim that it is all a calculated effort to gain publicity, like the operatic announcement, "You are now listening to Radio ZET." This opinion, too, has to be reckoned with.

Sejm Committee on National Defense Meeting

92EP0179A Warsaw RZECZPOSPOLITA in Polish
11-12 Jan 92 p 1

[Article by Zbigniew Lentowicz: "The Weak," subtitled "National Defense"]

[Text] "The Polish Army can afford at most 35-40 hours of flight by a fighter pilot in the course of a year. Over the same period of time a German pilot accumulates 180 hours in the air and an American one, much more than 200 hours. We are grateful to Providence that for the time being this is not affecting flight safety adversely," declared Gen. Div. Franciszek Puchala, first deputy chief of the General Staff of the Polish Army, on 10 January, at a hearing of the Sejm's National Defense Committee. Last year's budget cuts resulted in drastic curtailment of military training, chiefly on firing ranges. The amounts of ammunition and fuel consumed during the exercises were slashed to a minimum. As regards inventories and stockpiles, including those of chemical weapons, "We are not meeting the basic norms." In 1990 the average period of time spent at sea by a Polish naval vessel was 18 days, compared with 58 days for a German one.

Last year there was only token acquisition of new equipment. The single specimens of the Iryda and Orlik

aircraft were just a drop in the bucket. We could also afford, among other things, 10 new tanks and 15 radio stations.

This year looks even worse. This is not surprising considering that an Iryda costs 31 billion zlotys [Z], a tank Z3.5 billion, a Sokol helicopter Z27 billion, and a ship anything from Z80 to Z400 billion.

On analyzing the central-budget stopgap appropriations in the part concerning national defense, deputies have pointed out that this does not resolve the question of the additional encumbrances on the budget of the Ministry of National Defense envisaged by the new legislation. That is, the armed forces nowadays are required to pay reservists for the time spent on their periodic training, as well as to pay a special allowance to draftees and to pay bills for using "mobilized" civilian equipment. No provision was made either in that budget for meeting the budgetary obligations to the armaments industry for previous deliveries (despite the government resolutions passed on this matter), and there are no funds for restructuring [defense] plants (only two of the 14 largest special-production [euphemism for defense industry] plants are operating in the black).

The committee adopted a resolution in which it accepts the needs ensuing from the stopgap measure but demands a supplementary budgetary allocation for the Ministry of National Defense within the next quarter of the year, to an extent serving to repay last year's obligations (the arrears reach nearly Z1 trillion). The Committee also supports abolishing the Polish embargo on exports of weaponry to the countries which have not been named in special resolutions of the United Nations or the Security Council.

Ousted Defense Minister on Security, Other Issues

92EP0188A Poznan WPROST in Polish No 2,
12 Jan 92 pp 12-14

[Interview with Rear Admiral Piotr Kolodziejczyk, former minister of defense, by Katarzyna Nazarewicz; place and date not given: "The Road to Civilian Life"]

[Text] [Nazarewicz] Mr. Minister, before I ask you about your future plans, could you please sum up your activities as a minister?

[Kolodziejczyk] You are the leader [You do that].

[Nazarewicz] Fortunately not: directing the Ministry of National Defense is a job for a male with steel nerves. And today the "ministerial" stage in your life is over. How would you evaluate it?

[Kolodziejczyk] No one's life is easy in Poland, not the least that of a minister of national defense. Directing the armed forces, which are supposed to safeguard national

sovereignty, is, in the present economic situation, a difficult and thankless task. Only thus can this be summed up.

[Nazarewicz] Were you aware of what would await you when you had first agreed to accept this portfolio?

[Kolodziejczyk] I could not know everything in advance; there is no school for ministers of state. I was helped by the fact of my being a military man: The supreme commander of the armed forces assigned a task to me, and a soldier does not dispute an order. I may sound like a masochist but it was I myself who had from the beginning agreed to the new concept of the operation of the Ministry of National Defense—with a civilian at its head.

[Nazarewicz] And like a masochist you rejoiced that it would hurt?

[Kolodziejczyk] That involved constructive pain, linked to overcoming psychological barriers. I can now reveal that I am a coauthor of all the work on restructuring the management of the Ministry of National Defense, including its being headed by a civilian! As a man who has spent all his adult life in uniform, I can even state that, altogether, this experiment will benefit the military. The military will be headed by a soldier who shall finally not have to attend to administrative and political matters but leave them to civilians.

[Nazarewicz] You are sorry that there is no school for ministers. Were such a school to exist, what would be learned there by the new head of the Ministry of National Defense?

[Kolodziejczyk] The heart of the matter is that the armed forces should be a totally apolitical formation. A politician-civilian directing the Ministry of National Defense should have the professional background needed to correctly define the place of the armed forces in the entire operating structure of the system of national defense and to cope with problems of a strategic nature. But he does not have to have military qualifications—that is what experts in uniform are for.

[Nazarewicz] But sometimes a civilian may go too far in his partisan-mindedness. The recent electoral campaign has shown that the appetite for directing the armed forces is growing and is not at all directly proportional to a person's qualifications. The complaints of the leader of the KPN [Confederation for an Independent Poland] about insufficient security of the eastern border point to a failure to understand our recent history and ignorance of the financial condition of our armed forces.

[Kolodziejczyk] In advanced Western democracies it is simply impossible for an incompetent person to have any chance at all to head any ministry of state. In the West the discrete rungs to be climbed on the ministerial career ladder eliminate unqualified individuals, no matter how ambitious they may be.

[Nazarewicz] What is bothering you about Leszek Moczulski's comments?

[Kolodziejczyk] Mr. Moczulski has demonstrated his lack of any genuine knowledge about the condition of the military. Nothing rational can be built on a foundation of absurdity. Reforms within the military are needed. A thorough restructuring of the entire model of our national defense is needed. It also is necessary to continue personnel changes and adapt them to the needs of the new defense structures. All this should, however, be accomplished without impairing the defense preparedness of our country. Any spectacular but hasty measures would in this case be criminal.

The so-called eastern wall [Poland's eastern border] is a big problem. I have always made it plain that it is militarily greatly undermanned from the security standpoint, as a consequence of our previous military doctrine. That region precisely was to be the rear echelon of the future front, a zone of reserve units [under the Warsaw Pact]. Given the state of our budget, it is not possible to change this situation radically overnight. It is essential to the security of every Polish border, including the eastern one, that the situation be perpetually monitored and the readiness of the armed forces so controlled as to redeploy, should the events unfold dangerously, the needed forces in the threatened direction, including also mobile radar and air defense systems. Constructing a permanent military infrastructure in the eastern region is too expensive to Poland at present. The question arises, why are not we even now rushing mobile troops to the eastern border? My answer is simple: The soldiers would have to be stationed in dugouts and tents in the winter. Is that really necessary?

[Nazarewicz] You have been in uniform for 36 years now. For 34 years you were taught, and afterward you taught others, that the enemy would come from the West. How strongly does that mentality still persist among the military?

[Kolodziejczyk] A soldier does not choose the enemy. The enemy appears before the soldier; it does not matter from what direction. Once a person absorbs this rule, he can cope even now that the direction has been totally reversed. A good commander does not have to think in political terms: To a soldier propaganda slogans always matter less than a realistic assessment of the identity of the real enemy. I am not talking about the cases in which the military attempts coups d'etat: In a normal country the military does not encroach upon political power.

[Nazarewicz] A genuine reform of the armed forces still is not possible owing to the absence of enabling legislation.

[Kolodziejczyk] The new model of the armed forces, based on our proposal which has been accepted by the Council of Ministers but not yet ratified by the Sejm, presupposes appointing civilian heads of the Ministry of National Defense. But the legislation defining the division of powers [between these civilian heads and the

military] has not yet been passed and thus it is not yet possible to restructure the military leadership. All that we can do at present is streamline the tables of personnel.

[Nazarewicz] I can interpret as follows what you said: "We the military did all we could; the rest is up to the civilians."

[Kolodziejczyk] The impetus for all practical and principal measures will be provided by the Sejm's decision on the powers of a civilian minister of national defense. I did not want to trigger on my own the processes preceding that decision, even though there are no legal precedents on this matter. Otherwise, my successor might reproach me if something might turn out to be wrong.

[Nazarewicz] Is there anyone you favor for your successor?

[Kolodziejczyk] Several, but I shall not disclose their names. I do not know of anyone totally qualified for this position, but by now there exist some politicians whose thinking is such as to give hope that they shall not wreck the Polish national defense system.

[Nazarewicz] What do you think of the politicians who are demanding that we join NATO as soon as possible?

[Kolodziejczyk] They do not understand the difference between apples and oranges. To NATO we are not a partner, and we cannot afford becoming one soon. Security should be built on arms reductions rather than on the expansion and multiplication of military blocs. This does not mean, of course, that I do not perceive a need for broad cooperation with NATO. Besides, it already is in place and the forecasts for its future growth are favorable.

[Nazarewicz] At present some 15 superbly armed Soviet divisions are stationed in Germany. If the situation in the East becomes disturbingly complex, these troops may get moving—and they would move across Poland.

[Kolodziejczyk] And they will not ask anyone for permission! That is another problem which should not be minimized.

[Nazarewicz] Another focus of conflict in Europe is Yugoslavia. Poles are exploiting clandestine leaks across our border and selling arms to the combatant sides. Officially no one is doing it, but unofficially several companies are piling up profits by smuggling weapons. Is the Ministry of National Defense aware of this?

[Kolodziejczyk] We do not control trade, not even arms trade. But this does not mean that we are unaware of what is going on. We have our intelligence services confirming cases of transit of arms through our ports. All this is taking place *lege artis* [according to regulations] because there is no law forbidding the transit itself. We must know what is going on, but the decisions on this matter are not ours.

[Nazarewicz] The conflict in Yugoslavia has demolished any illusion that the world is capable of extinguishing a focus of war in Europe.

[Kolodziejczyk] That war has laid bare the inefficiency and ineffectiveness of the mechanisms of international security. The possibilities for diplomatic intervention have been exhausted to no avail except to demonstrate the deficiencies of the present system. On the basis of bad experiences of the past we are working to develop the concept of the Security Corps as an international military formation whose units would be stationed in the territories of individual countries and whose command would be joint. Isolated contingents of troops could be trained according to a universal program for the entire Security Corps, and in the event the situation somewhere in Europe becomes exacerbated, units of that corps could be, upon the request of the interested country, dispatched to the threatened border.

[Nazarewicz] How would they differ from the troops which you used to command years ago in the Middle East, meaning the peacekeeping troops of the United Nations?

[Kolodziejczyk] In their formula for action. The corps should prevent conflicts, whereas the United Nations force in which I had served monitored adherence to truce provisions. Thus the aims differ. If corps troops are stationed at the border of the potential aggressor, that would make him aware of the danger of engaging in armed conflict with all the member countries of the Security Corps. This would mean raising the threshold of the decision on confrontation. After all, to the eventual aggressor it matters to know whether he is going to clash with the troops of the country he intends to attack or with the entire remaining Europe. Who would risk that?

[Nazarewicz] Is the reason why the idea of the Security Corps has been conceived in Poland because the heads of the Ministry of National Defense envisage the outbreak of open armed conflicts much closer to us, in the countries of the former USSR?

[Kolodziejczyk] It is our duty to consider all the possibilities. Security mechanisms should be supported by an international force. We are aware that diplomatic actions are much too little. We are already engaging in practical consultations with Czechoslovakia and Hungary; their situation practically duplicates ours. The situation is complicated by the fact that all the initiatives for establishing peacekeeping forces—both the Franco-German and the British initiatives—make no allowance for the postcommunist countries. Everything is still linked exclusively to the circle of EC or NATO countries. Our concept is based on the thought that only an integral Europe is a secure Europe.

[Nazarewicz] And if Poland is to be secure, where does it need help most urgently? What are the weakest spots of our armed forces?

[Kolodziejczyk] We are trying to make equally strong all the links in the chain of the various arms of services. For the present they are equally weak. The air force and the navy in particular need to be modernized extensively. I am not speaking of the need to strengthen the navy just because I wear a naval uniform. After all we have 524 kilometers of seacoast which we have to defend on our own. Previously the offensive element of our navy has been the landing ships. At present we are eliminating them and introducing transport-minelayers. 4A mine, whether on land or at sea, still remains the most effective means of blocking the enemy.

[Nazarewicz] True, but services other than the navy are not as easy to restructure, are they?

[Kolodziejczyk] That is very much true. Let me emphasize clearly that I joined the navy, not the army. As part of this process, I became a member of the military. I spent most of my service at sea. My professional record includes 104 days of acute missile monitoring during the Israeli-Egyptian war. That was a sultry summer. In addition to the high temperatures there was the discomfort of working in an enclosed space and the virtual lack of contact with the world. Our combat readiness left something to be desired, moreover, but we stuck it out. There also were other challenges and excitements. I must say that I was not enthusiastic about becoming a "land-lubber" afterward in Poland.

[Nazarewicz] What do you think of women in the military? Might not the new regulations on contractual military service "feminize" the rank and file?

[Kolodziejczyk] To my mind, there is no room for a woman, a lovely and fragile being, on the brutal and cruel field of battle. Still, I perceive a niche for women in the armed forces. At present we have some 60 lady officers, chiefly in the medical service, but ladies could also serve in signal troops or monitoring services. But I do not expect contractual military service to be extended to women at present. I still cannot imagine that a 20-year-old girl in whom the maternal instinct might arise at the most unexpected moment could sign a contract for five years of regular military service. This innovation of service contracts in the Polish army should be tested on males, these being an already tried and tested element.

Kolodziejczyk on Restructuring, Civilian Role
92EP0158A Warsaw POLSKA ZBROJNA in Polish
31 Dec 91-1 Jan 92 p 4

[Interview with Vice Admiral Piotr Kolodziejczyk, minister of defense in the Bielecki government, by Captain Janusz Grochowski; place and date not given: "Crossing Over to the Other Bank"]

[Text] Funding allocated to the armed forces for 1991 in the amount of 23.6 trillion zlotys [Z], 20 to 30 percent

below the actual needs to begin with, was cut during the year by Z4.8 trillion (by 20.3 percent), and came to Z18.8 trillion.

Compared to 1987, expenditures for the defense of the state dropped by more than one half. At the same time, the breakdown of these expenditures deteriorated: Despite a reduction of the numerical strength of the armed forces by about 28 percent and the introduction of drastic savings measures, expenditures for maintaining personnel increased from 46 to 61 percent.

It does not appear possible to contain this unfavorable trend in the coming year. In terms of expenditures for its own defense, Poland will rank among the last in Europe.

The Ministry of Finance has released to the Ministry [of Defense] funding from the budget in the amount of Z16.5 trillion until the second 10-day period of December, inclusive!

[Grochowski] Fortunately—this may not be the right word in this context—it is not necessary to impress on anyone how difficult the situation of the armed forces is anymore. However, we should not perhaps expect prompt decisions which would bring about improvements either. Do you see any way out under the circumstances?

[Kolodziejczyk] There are no good solutions given such circumstances. Poland, which is politically sovereign but deprived of international security guarantees, must count on its own defense force. Alas, the armed forces in their current condition may have considerable difficulties ensuring the inviolability of our borders, difficulties which will be exacerbated as time goes by.

[Grochowski] Politicians are convinced that we are not threatened by any armed conflict until the end of this century.

[Kolodziejczyk] I would like to have grounds to share this conviction. Nothing will be accomplished all by itself. Politicians should be aware that vigorous action is needed with a view to promptly creating reliable security mechanisms. The military has a duty to take a somewhat different view of it. We must take into account the actually existing military potential which has been accumulated around Poland. It is enormous; in addition, processes are underway, primarily in the East, the course of which is hard to predict; this is happening in a situation whereby the gap is widening between the defense needs of the republic which are beyond a doubt and its economic potential.

In the environment of deep budget cuts, any physical modernization of the defense structures of the state is out of the question because this is not only a very complex operation but, first of all, a very costly one. This is why, in addition to looking for ways to cure the economy swiftly, it is necessary to conduct an active foreign policy which, on the one hand is intended to

obtain international guarantees of our security, while on the other hand strives to restrict military potentials in Europe; I have mentioned this many times at government meetings.

[Grochowski] There are at least several outlooks which are supposed to ensure the security of Poland—an alliance with Czecho-Slovakia and Hungary, a rapprochement with NATO, to which some object, believing that the days of this pact are numbered.... Which of these concepts do you consider the most realistic?

[Kolodziejczyk] I believe that all of them should be put together and the resulting configuration should be sought. This is an urgent task for the Security Council and the government.

[Grochowski] The defense doctrine of the state should contain an answer to my question. Meanwhile, work on this doctrine is proceeding with great difficulty.

[Kolodziejczyk] Early this year, an interdisciplinary team was set up under the auspices of the Bureau of National Security which was to divide up the tasks and subsequently assemble everything into a single cohesive text of the new doctrine. However, the effort got delayed, also due to the appointment situation. The foundation has been laid for the segment pertaining to the armed forces; however, many bricks needed to create a defensive wall are still missing. Our ministry does not have a great influence over this. All we can do is appeal to the politicians to approach this problem with due seriousness.

[Grochowski] I wonder whether it is at all possible to develop a military doctrine at present, given the abruptly changing geopolitical configuration.

[Kolodziejczyk] A doctrine cannot provide ready-made, detailed prescriptions; it should rather set forth overall directions for political and organizational activities within the state which would ensure for it a maximum of security in the event of a threat.

[Grochowski] However, a doctrine should be based on certain lasting elements.

[Kolodziejczyk] There are such basic theses. It is the will of the Polish people not to play the role of an aggressor, that is, not to begin hostilities against any state; to ensure the even defense of our borders; to conduct an active policy—which I have already mentioned—aimed at creating a situation which rules out the possibility of mounting threats in the international arena. All of this is included in the outline of the doctrine.

The organizational segment of the doctrine should include the duties of all political and economic elements assembled into a cohesive entity so as to create a security system and achieve a readiness status for repelling possible aggression. Such elements are very numerous. This does not apply to the Armed Forces alone, hence the military doctrine of the state cannot be authored solely by those in uniform.

[Grochowski] However, this doctrine is particularly significant for the Armed Forces. It is impossible to continue restructuring or, to put it better, the streamlining of the structure of the army, without accepting a doctrine and in the absence of necessary political decisions which still have not been made.

[Kolodziejczyk] Of course, it is impossible. As is known, in July the government endorsed the results of the work of an interdepartmental commission, thus adopting a new model of the armed forces, a model at which we, unfortunately, have not been able to arrive due to the lack of time, necessary legal regulations, and primarily money. Surprise budget cuts which compel us to reduce the strength of the armed forces still further have altogether called into question the realism of this concept, at least for now. Therefore, in anticipation of certain solutions, we are considering the possibility of creating a considerably scaled-down model of the armed forces. Coming up with funds from the modest budget of the Ministry of National Defense for the procurement of materiel, while saving on personnel expenditures is the initial assumption. The Main Directorate of Combat Training and the General Staff have independently prepared draft scenarios. They have a common element—a proposal to set up the command of ground troops by pooling certain subdivisions of these two institutions, which would result in still more savings on authorized positions.

In addition, it is still assumed—and also provided by the newly adopted model—that during wartime, a military district is transformed into an army. However, what kind of an army is it, given that far-reaching cuts of personnel are envisaged?

[Grochowski] Are we to understand that the elimination of military districts will occur simultaneously?

[Kolodziejczyk] Not quite. In a sense, prewar structures would be replicated: Four districts would report to the command of the ground forces, which during wartime would be transformed into army corps, in keeping with the projected strength of the ground forces, rather than into armies.

[Grochowski] The intention to eliminate certain services, including the entire corps of educational officers, is a public secret.

[Kolodziejczyk] Opinions on this are mixed, and not only in the central echelon. This is good, because optimal solutions are arrived at in the debate. There may be no need to maintain this corps, though I am not entirely convinced that it is so. After all, if we want to saturate the army with psychological and sociological officers, they should be assigned somewhere. They do not fit too well in the corps of line officers. In addition, I believe that every career serviceman should go through the position of an education officer on his developmental path in order to learn the mechanism for molding the appropriate morale of his subordinates.

However, I repeat that these are open issues. We are preparing these variants in order to be able to offer certain solutions when the new government takes on the issues of the defense of our country.

[Grochowski] The implementation of these plans will also depend on the influx of funds to the coffers of the ministry. As is known, the situation is very bad in this regard; judging by the provisional budget, there are no indications that it will improve.

[Kolodziejczyk] Unfortunately, successive governments have sought to rescue the economy which was falling apart mainly by cutting defense expenditures. Their share in the national income has now diminished to under two percent, which is a rarity on a European scale. This is why I believe that the new government should adopt some permanent indicator, in keeping with world levels, from which there shall be no deviations. I am aware that these will still be modest funds, but at least they should be provided smoothly in order to make it possible to manage them rationally. What we had to deal with last year is unacceptable—daily limits, banking logjams, and as a result, contractual penalties which exacerbated our budgetary poverty.

Polish soldiers were, or are involved in the peace missions of the United Nations in Syria, Iraq, Afghanistan, Kuwait, and Saudi Arabia. More soldiers might be assigned to Western Sahara, Lebanon, Cambodia, and Yugoslavia. Gen. Div. Roman Misztal has become commander of the UN peacekeeping forces in Syria.

In the coming year, 81 officers will be trained abroad, out of whom 38 in the United States and 20 in Russia, as well as in Germany, France, Great Britain, Czechoslovakia, and Hungary.

[Grochowski] Are you aware of the fact that the debts of the Armed Forces to armament enterprises are being purchased?

[Kolodziejczyk] Prime Minister Bielecki has received a report on this topic.

[Grochowski] And?

[Kolodziejczyk] A solution is up to the minister of finance, who was about Z2 trillion in arrears to us in December. Having failed to receive this money, the Ministry of Defense is unable to meet its obligations to industry. Industry is now rebelling and selling our promissory notes dirt cheap. We must pay punitive interest, which puts an additional dent into the budget of the army because, after all, nobody compensates us for this. This is a vicious circle, a path to nowhere.

[Grochowski] What may the consequences of this be?

[Kolodziejczyk] Unimaginable. After all, if we want to build ourselves into the European economic system, we should comply with the rules of the game in effect over there. The insolvency of the armed forces or another unit financed from the budget and an announcement that we are bankrupt and do not pay debts undermines the credibility of the entire state. Worse yet, these promissory notes are also bought by banks with mixed capital.

[Grochowski] They charge that the ministry could have used these modest funds in a more rational manner.

[Kolodziejczyk] Who is talking about rational management? Just a moment ago, we talked about a vicious circle!

[Grochowski] One still gets the impression that the following principle applies in the armed forces: "Let us save, no matter what the cost," whatever it takes to survive! Economic feasibility does not matter.

[Kolodziejczyk] No, such an attitude is impermissible.

[Grochowski] However, it does happen. A division commander calculated that it will be cheaper for his unit to go to the training grounds "under its own power" than using the services of the railroad. He proceeded to do so. However, before long it turned out that he used up the kilometer quota, and that he would not have fuel until the end of the year.

[Kolodziejczyk] The commander planned his actions very sensibly; he looked for a less expensive solution. He had no way of knowing that fuel allocations would be cut in the second half of the year. This was a decision compelled by reductions in the budget of the Ministry of National Defense, and funds for fuel were lacking throughout the armed forces. No irrational actions of the ministry are at issue; it is rather that a situation which is beyond our control causes such idiocies.

[Grochowski] Here is another example. Given the current financial situation of the Armed Forces, can we afford a return to traditions—four-cornered caps and different uniforms?

[Kolodziejczyk] It only seems that we are throwing money away in order to resurrect symbols. Actually, this is a thought-out streamlining action which will result in savings of more than Z10 billion per year.

Some 89,000 career servicemen are in professional service; at the same time, about 23,700 positions are vacant. Traditionally, the greatest shortage of cadres occurs in the warrant officer corps, especially in the missile troops and artillery (72 percent) and signal troops (66 percent). In the last two years, almost 14,000 career servicemen were discharged to the reserves, including 78 generals.

There are 87 generals and admirals in the Polish armed forces, out of whom 79 hold strictly military positions.

Statistically, the average general is 53 years old, four years younger than a year ago. There are 40 percent fewer colonels; the average age of the officers has dropped by almost three years and comes to 36.6 years.

[Grochowski] Therefore, what can be accomplished with funds being available such as have been allocated to the armed forces?

[Kolodziejczyk] Not much. Not even all the spare parts which are necessary for materiel to operate normally may be procured with the Z200 billion promised to the technical services for the first quarter. Technical modernization of the armed forces is absolutely out of the question. To be sure, the firepower of a modern tank is several times greater than that of the T-55 and, therefore, it could compensate for the retirement of seven vehicles of the old generation. However, we absolutely cannot afford this modern tank.

Where is a way out under the circumstances? My conviction is that there is only one way—to preserve the backbone of the armed forces, the career personnel. Funds to improve their professional standard should be found. Such measures are planned for the coming year. It is necessary to retain the cadres in order to be able to rebuild the armed forces in a format necessary to ensure the sovereignty of the state when the economy of the state makes this possible. However, we should reckon with the fact that the strength of the army may be cut back further.

[Grochowski] They are talking about 35,000 career military personnel being discharged to the reserves next year.

[Kolodziejczyk] I categorically refute this. We seek an increasingly professional army; therefore, there will be something to do for each career serviceman. I also hope that the financial standing of the cadres will improve. It is another matter that some people will not keep their current status, but certainly nobody will lose financially. Everybody will be able to choose whether to transfer to a lower, but not lower paid, position or not. I favor curtailing the process of discharges, except for those due to age.

[Grochowski] Unfortunately, it is precisely the young officers who frequently leave because they do not see prospects for themselves in the armed forces.

[Kolodziejczyk] The breakdown of those discharged has improved markedly. Last year, colonels and lieutenant colonels accounted for 53 percent of those leaving. If we are interested in having a professional army—and we are—we should retain the young because it is known that this cannot be accomplished in the absence of well-trained professionals.

In addition to saturating the troops with professionals, we should also change our approach to basic military service. The concept of creating regional troops is

emerging, based on the induction of draftees and reservists from the areas in which the units are billeted. They would serve for 18 months currently, but it may be possible to reduce this service to one year. Soldiers would receive basic training for three to six months. The remaining time would be split among exercises, perhaps somewhat burdensome, because they are to be held on weekends or during training sessions lasting several days and organized once or twice a year, in order to maintain the adequate condition of these people. Unfortunately, this once again calls for outlays.

From the point of view of the defense interests of the state, the infrastructure of the army is shaped in a very unfavorable manner. It should be built up in the East in order to ensure the same security of all borders of the republic.

[Grochowski] You referred to the possible further reduction of the length of basic service; meanwhile, the reduction of the service from 24 to 18 months alone has caused an increase in training outlays by 33 percent per year because training had to be made more intensive.

[Kolodziejczyk] It was exactly the other way around because some soldiers were discharged two months earlier; unfortunately, we also had to do this because of a surprise. Worse yet, in the fall we failed to induct 20,000 draftees, and we are likely to not call up as many in the spring. This will deplete the reserves of the armed forces considerably, and recruiting stations will be charged with the duty of selecting those who will put on uniforms and those whose service will be postponed. It would be much simpler to reduce training to half a year and have everybody take it, but this would increase costs yet again because, to mention just one thing, the amount of necessary materiel would increase threefold. In addition, the rapid introduction of contractual service by soldiers who would ensure the professional servicing of sophisticated materiel is one of the preconditions. In other words, there is a dilemma again because there is a lack of funds for contract service.

[Grochowski] Yet another problem has surfaced. Upon the abolition of penalties such as duty details out of turn or service in disciplinary subunits, and given the conviction of prosecutors that public damage done by absences without official leave is small, commanders are beginning to fear a wave of escapes around the holidays.

[Kolodziejczyk] There are no easy answers to difficult questions. I know that many people consider this to be liberalization of conditions in the service. However, I maintain that the further humanization of these conditions is taking place. Discipline cannot be built on the fear of Orzysz [term unknown]. I agree that greater tasks are facing commanders and educational officers. Prosecutors will also have to revise their assessment of the degree of harm done to military discipline by desertions. Work on a new disciplinary manual is already underway. In turn, incorrigible repeat offenders are no longer secure

in the knowledge that service penalties will prevent them from coming in contact with the guardians of the law. Is this liberalization?

[Grochowski] You have already said that we cannot afford to modernize the armed forces. However, do we at least know what materiel we need?

[Kolodziejczyk] First of all, we evaluated the technical status of the armed forces and prepared proposals for their modernization in four variants depending on the availability of financing. Unfortunately, none of the variants is optimistic; hence, it is becoming necessary to effect a certain shift of personnel expenditures in favor of materiel. Of course, we have already studied various markets and selected materiel in which we should take interest. I would like to emphasize forcefully that in the process we strive to look for solutions which provide development opportunities for our domestic defense industries.

One kilometer traveled by the T-72 tank costs Z353,700; by the armored tractor T-55A WZT-2—Z243,000; the tracked chassis of the 2S1 self-propelled howitzer—Z137,480; the tracked armored personnel carrier BMP-1—Z109,920; and the all-terrain GAZ-69 car—Z1,530.

The Strela-10 missile costs Z860 million, the Strela-1—Z395 million, the Malyutka guided antitank missile—26.5 million, the PGN rifle grenade—Z3.12 million, and a 9-mm pistol round—Z2,200.

[Grochowski] Recently, the Americans lifted some of the restrictions on the export of military armaments to the states of our region.

[Kolodziejczyk] You know, so far Western offers have had propagandistic rather than realistic undertones. One Western company offered to begin deliveries of equipment five years after the contract is signed. However, we have no time for spinning our wheels because we should resolutely reinforce the protection of our skies right now. In addition, no credit is in the cards, that is, we have yet another serious problem. This state of affairs makes it impossible for us to design long-term programs for the modernization of armaments.

[Grochowski] Nonetheless, Western offers pose a threat to our armaments industry which the government appears to have condemned to death. Prime Minister Bielecki said that he doubts whether it makes sense for Polish companies to build helicopters because they are not competitive with foreign helicopters, anyway.

[Kolodziejczyk] I cannot subscribe to this approach, for strategic considerations, if for no other. A sovereign state should have its own defense industry in order to make itself independent of foreign suppliers as much as possible. This is why we seek the transfer of technology which will make it possible to meet at least our needs

within the country, rather than the purchases of materiel. If we are dependent on deliveries, we will lose sovereignty because it will be possible to dictate conditions to us to which we will be forced to agree. This is unacceptable.

Of course, the armaments industry cannot be created in any state solely for the needs of its own armed forces because it will simply be unprofitable. This is the occasion to look for cooperative relations and markets for sales. The activities of our economic sector in this field are barely rudimentary. Trading in armaments is an ugly business but, unfortunately, it is unavoidable, especially given Poland's economic situation.

Only 12.9 percent of the Ministry of Defense budget could be allocated for the procurement of armaments this year, out of which 1.7 percent was for imports of the necessary combat materiel and materials.

Among other things, the Polish Armed Forces purchased 15 T-72 tanks, six radar stations, 40 all-terrain trucks, 10 TRL engineer reconnaissance personnel carriers, 18 excavators and bulldozer-loaders, 50 small capacity radios TUBEROZA-2 and 15 medium capacity radios, as well as about 14,000 submachine and machine guns and 18 ZUR-23-25 artillery and missile systems.

It is expected that in 1992, procurement will be still smaller, and will be restricted mainly to combat materiel and materials which are necessary to train the troops and maintain materiel in operating condition.

[Grochowski] So far, the government has reduced the number of plants which have the status of armament enterprises from 19 to four. Nothing is said anymore about companies for which the Ministry of Defense is the founding agency. Have they been slated for liquidation?

[Kolodziejczyk] Since the army will be smaller and its needs will be smaller, the number of military repair and production enterprises to date cannot be maintained. Some of them have already converted their production potential anyway without waiting for decisions at the top, in search of markets for other goods. Some will become single-person partnerships of the State Treasury, others will be privatized. We would like this to occur without shock, though I am not sure that this will be entirely successful.

[Grochowski] Our society is convinced that the armed forces take advantage of various privileges; therefore, the government has embarked on eliminating them. Following the introduction of payments for drugs, it was proposed to cancel preferential fares in transportation. What is going to happen next?

[Kolodziejczyk] I know that these matters are very delicate, and this does not surprise me at all. However,

we must tell ourselves explicitly that there cannot be an island of happiness anywhere given this critical economic situation of the state. The government attempted to set certain matters straight, and to abandon sector-specific privileges. Unfortunately, social protection of the armed forces has been impaired considerably. I hope that it will be quickly compensated for in terms of "cold" cash proportionately to the burdens of our professions.

[Grochowski] I already know what is going to come next: After the new year, payments for the use of resorts will be placed on a market basis, or increased substantially.

[Kolodziejczyk] Who is going to lose by virtue of this? In theory, career servicemen had an opportunity to use these cheaper, subsidized resorts once in three years. However, a majority used them once in five years, if at all. However, there was a certain group which had access to the distribution of vouchers, and took advantage of it, going to military resort centers every year, or even twice a year. Was this fair? We went for a different arrangement. Everyone will get vacation pay and will decide where he spends his leave himself. In this instance, the commandants of boarding hotels who will be deprived of subsidies will have to display resourcefulness and thrift in order to stand up to competition from civilian resort hotels. Will they? Certainly, this test will be far from revealing the truth because military budgets are not exactly overflowing, but I see no other way.

[Grochowski] I am afraid that a considerable segment of the cadres will go and buy shoes for the fall season for their children instead of allocating vacation pay for recreation. Meanwhile, boarding hotels will be empty instead of making money.

[Kolodziejczyk] This is a very real danger, and it is quite possible that this will transpire.

[Grochowski] I believe that the cadres would eagerly give up all their privileges which are, for the most part, illusory, in return for decent remuneration. However, is this possible?

[Kolodziejczyk] It is hard to say what the opportunities will be in this sphere because it is difficult to foresee how the economic affairs of the state will develop. However, it is certain that there will not be great disproportions between the financial standing of the army and our society. This is not to say that career servicemen should not be duly compensated financially for the burden of the service which is considerably different from an employee-employer relationship. Will this work out? All promises would be hollow....

The armed forces are likely to be unable to maintain about 30 percent of the installations and areas they own. Some 12,755 career servicemen and their families have no apartments, and 8,317 are waiting for their housing situation to improve. In 1991, about 1,860 official apartments were commissioned.

The daily meal allowance of soldiers comes to Z17,600.

[Grochowski] Last year was not good for the armed forces; it appears the new year will not be any better....

[Kolodziejczyk] Indeed, last year was not good, and for this reason I will take the liberty to express my profound appreciation to all, from generals to privates who, despite struggling with horrible difficulties, managed to cope better than other structures of the state. My wish for the coming year is to make it possible for us to go beyond the provisional budget and to begin to build the armed forces in a sensible manner, in keeping with the real needs of a sovereign state. Perhaps, the other bank is not all that far anymore; we must endure in order to be reborn there....

[Grochowski] Thank you for the interview. This is also what we wish the Polish armed forces and you, admiral.

3-Stage Transformation of Defense Industry

92EP0179B Warsaw GAZETA PRZEMYSLOWA
I HANDLOWA in Polish No 2, 12-19 Jan 92 p 1

[Interview with Eng. Eugeniusz Hael, deputy director of the Department of the Army in the Ministry of Industry and Trade, by Henryk Nakielski; place and date not given: "How To Defend the Defense Industry"]

[Text] [Nakielski] Mr. Director, last December a meeting with the directors of defense industry enterprises was held at the Ministry of Industry and Trade. What were the conclusions reached by that prestigious body?

[Hael] The meeting with the directors and trade union representatives of defense industry plants which was held at the Ministry on 12 December 1991 was intended to discuss the findings so far of the consulting firm PROXI which is working on a new concept of the organization, functioning, and financing of defense industry enterprises. The presented reports concerned the first stage of the project and included a general assessment study of the economic condition of the discrete enterprises and a preliminary concept of the future nature of that industry. As regards the attendant recommendations, generally speaking they are hardly novel, it being common knowledge that some of the enterprises are economically fairly well off and ready for immediate conversion to one-person treasury companies [the first stage of privatization], while others are not as well off, and others still fare quite poorly. Still, the assessment study provided an answer to a related basic question, namely, which enterprises should be kept alive owing to considerations of national defense, regardless of their performance and financial condition.

[Nakielski] How does PROXI propose to transform that industry?

[Hael] Generally speaking, PROXI proposes to refine the transformation of the defense industry in three

stages. During the first stage the enterprises in good financial shape would be converted to one-person treasury companies. At present this concerns eight enterprises. At the same time these enterprises would start working out plans for operating on a commercial basis and restructuring themselves.

In the second stage, holding companies would be established. Specifically, this concerns chiefly holding companies associating the enterprises manufacturing basic armaments, that is, e.g., ammunition and missiles, for it is with such enterprises that the situation is most ripe for taking steps of this kind. During that stage defense production would be isolated from other branches of production at plants at which it accounts for a minor part of overall output. This would simply mean breaking up a plant in the sense of subordinating its "armaments department" to a newly established holding company and isolating it from its other, "civilian manufacturing" departments, and hence also it would promote restructuring and in-plant development planning on the basis of the same explicit criteria as those followed at normal civilian companies. The second stage would thus mean actual conversion to commercial, businesslike operations, which of course is the the most difficult part and the nub of the matter.

[Nakielski] But these transformations have been generally of an organizational nature and they still do not indicate what we shall be manufacturing, on what scale, and at what level. Yet, the collapse of our traditional [Warsaw Pact] ties, the changes in our defense doctrine, and the totally new situation of the armed forces require, in my belief, nearly revolutionary changes in the defense industry.

[Hacel] True, but first the basic things have to be put in order and that industry has to be adapted to the market economy. Of course, that industry must change radically in both its production profile and technology, since its environment has changed radically. Above all, we desire selected enterprises to assure a specific production potential adequate to the needs of the military. In particular, the capacity for manufacturing ammunition and missiles must be maintained at an adequate level, but this also applies to other kinds of armaments, such as firearms. Likewise the capacities for manufacturing military vehicles should be maintained at an adequate scale, though I do not include tanks among them, since these require separate consideration for the time being. In a nutshell, we must transform our armaments potential so as to maintain it at a level indispensable to national defense and at the same time indicate to that industry the directions of military production in which it has a chance to win foreign markets. That is because in the case of arms production we are dealing with, as it were, two separate production levels—one needed to satisfy peacetime needs and the other for emergency and wartime needs. In view of this, and also in view of the financial restrictions on our ability to purchase for the needs of our military, the arms industry must try to

penetrate foreign markets—otherwise it shall not survive. In speaking of foreign markets I mean principally the Western market, because the situation on our traditional markets is, as known, "precarious." Of course, penetrating new markets requires adapting to their requirements and standards.

[Nakielski] Do we have a chance?

[Hacel] Certain parameters of the equipment we manufacture are competitive. We can also compete in price. So the chances do exist, but of course only after the needed "adaptation" is accomplished. Undoubtedly this entails the need to acquire certain technologies, and this may mean that some foreign capital may be allowed to participate [in investing in Polish defense industry].

[Nakielski] But that is for the future, and how can the industry survive long enough for that, considering that at least some of its plants already are being strangled by their debts?

[Hacel] Defining the ways and means of the transition through this most difficult period was the next, third purpose of the assessment study I am discussing. This concerns plants whose potential must be maintained owing to considerations of national defense and which, for various reasons, are facing bankruptcy. A technique for solving this problem has been devised under the attractive name of "bridge financing," except that for the time being the sources of that financing still remain unknown. Several related concepts exist: either a particular holding company forms a legal partnership with a bank or banks which would support it financially in the expectation of future profits, or this shall be undertaken by the state budget, or... We expect at any rate that already this month, some decisions shall be made as to the means of financing. Of course, this is an unusually difficult problem, because money, and a great deal of it, will be needed to restructure the production potential which the military no longer needs. Yet the situation of the enterprises under our ministry's jurisdiction is generally speaking poor, with most enterprises being up to their ears in debt and the military budget having shrunk, meaning that no big arms orders are in the offing for the foreseeable future.

[Nakielski] What about the aviation industry?

[Hacel] The aviation industry, being a defense industry, remains under our jurisdiction, and its condition too has been analyzed. Needless to say, its condition is poor, chiefly owing to the collapse of the Eastern market. We shall want to keep that industry alive by concentrating four or five basic plants under a single holding company so as to preserve, among other things, their production capacities relating to national defense. This month we expect to receive a more detailed report on the future nature of that industry and on ways of assuring its survival during the present difficult period.

[Nakielski] Thank you for the interview.

Polish Economic Council Founded, Goals Stated

92EP0178B Warsaw GAZETA PRZEMYSLOWA
I HANDLOWA in Polish No 2, 12-19 Jan 92 p 3

[Article by (ML): "Polish Economic Council"]

[Text] In November 1991, the National Economic Chamber, the Confederation of Polish Employers, and the Union of Polish Craftsmen set up an entity called the Polish Economic Council. The Main Council of the Association of Private Trade and Services and the Association of Private Transportation will join the trio of founding members soon.

The Polish Economic Council wants primarily to develop and publish position papers, findings, and expert reviews pertaining to various sectors of the economy, such as economic, financial, industrial, and agricultural policy, environmental protection and ecology, economic cooperation with foreign countries, and so on.

A preliminary draft of actions, which is merely a working version, has been developed. Organizations belonging to the Polish Economic Council will take a stand on it and develop a joint draft whose working title is "the law streamlining economic law" in a broad interpretation of the word.

The new document will address, among others, the following issues:

- Amendment and precise specification of the provisions of repressive norms with a view to the strict definition of the legal framework for authorized economic operations—ensuring guarantees of the legality of actions of economic units and the individuals responsible for their operation.
- Full implementation of the principle of ensuring the same conditions for operations by economic entities of different types.

—Provision of genuine and effective judicial protection for relationships under civil law which result from economic intercourse—streamlining judicial and executive proceedings.

The Polish Economic Council is also planning to get involved in the matters of the operation of state administration with regard to the economy. The idea is to reduce the regulatory and control powers of the organs of administration and self-government. This also involves changes in the pattern of operations of the State Labor Inspectorate and modification of the powers of the Sanitation and Disease Control Inspectorate.

According to the council, many changes should be made with regard to the issues of construction, for example, simplification of construction procedures, liberalization of the laws on territorial planning and on the protection of agricultural and forest lands. The council is of the opinion that the implementation of the principle of identical operating conditions for economic units of different types needs to be revised urgently. Members of the Polish Economic Council think that tax law regulations should likewise be revised.

Discussions among participants in the council touched on all of the above issues, as well as many others. When they arrive at a joint position and agree on a uniform text of the proposed changes, the finished draft will be submitted to the Sejm and to the government authorities for them to state their views and take a definite position on the document.

Until 7 January 1992, each institution participating in the council will appoint its representatives who will cooperate in the course of editing draft amendments to economic laws. Within the same period of time, i.e. before 7 January 1992, a list of experts will be drawn up who, in keeping with agreements signed by the founding members of the council, will provide expert reviews and conduct studies on topics assigned by the council. All of these findings, expert reviews, and position papers will be presented to the Sejm and the Polish government as the position of the Polish Economic Council upon their acceptance by the council.

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